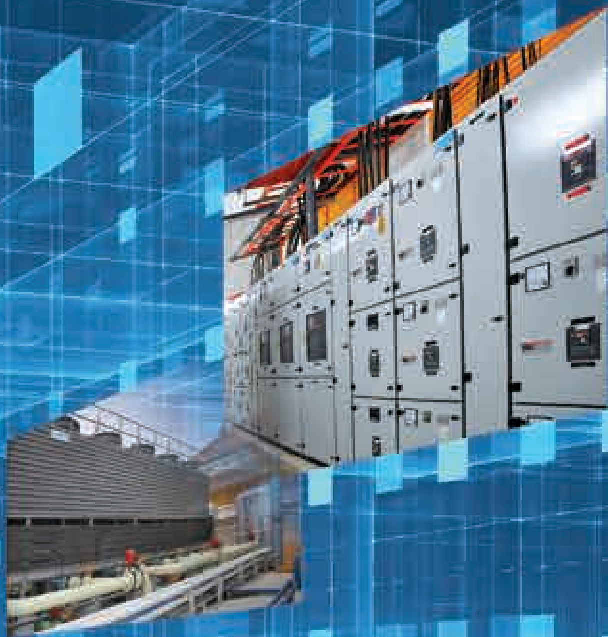
KOYO International

ANNUAL REPORT
2017



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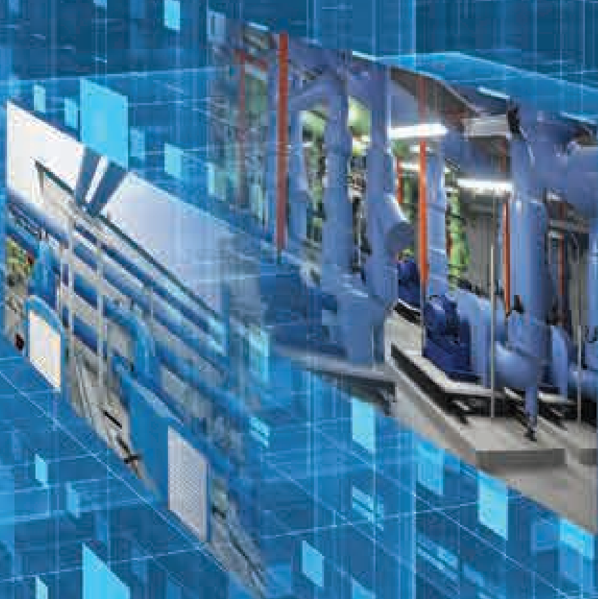

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

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

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail:sponsorship@ppcf.com.sg).

OUR MISSION STATEMENT applies regardless of business units. We strive to achieve our mission by adhering to our core values of commitment, integrity and professionalism – factors necessary for success and the attainment of excellence.

CHAIRMAN & CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present our annual report for the financial year ended 31 December 2017 ("FY2017").

2017 was a difficult year for the construction industry. Notwithstanding the challenging operating environment, we are pleased to inform our shareholders that Koyo Group (the "Group") achieved yet another positive performance with a net profit of $0.69 million for FY2017. This result is testament to the sound fundamentals of the Group and it is our pleasure to share with shareholders that it was another successful year for the Group.

FINANCIAL REVIEW

Total revenue for FY2017 was $15.8 million, a 4.6% increase as compared to that for FY2016 with net profit of $0.69 million, a 6.8% decrease from $0.74 million in FY2016. The increase in total revenue was attributable mainly to more variation work carried for facilities management segment and starting of new mechanical engineering projects during the current financial year.

As a result of our prudent management of our projects, including costs and cash flow management, the Group was able to maintain a healthy balance of cash and bank amounting to $17.6 million as at 31 December 2017. Our sound financial position will allow the Group to explore growth opportunities, both locally and overseas.

DIVIDEND

In appreciation of our shareholders' long-term support and on account of the positive results, the Board is recommending a first and final dividend of $0.001 per share, to be approved by shareholders in the forthcoming Annual General Meeting.

SHARE BUYBACK AND EMPLOYEE SHARE OPTION SCHEME

The Company did not purchase any of its own shares during the financial year ended 31 December 2017. In addition, no share options were granted to employees during the year under review.

From a total of 5,565,000 share options granted in 2011 and 2013, 5,065,000 options had been exercised by employees of the Group and the remaining lapsed. There are no share options outstanding since 23 January 2018.

CORPORATE DEVELOPMENTS

In late 2017, the Group secured two contracts for supply and installation of bus duct system at Tuas South Incineration Plant under National Environment Agency and for mechanical and electrical cyclical improvement works to multi-storey car parks under Housing & Development Board. With these contracts, the Group has contracts on hand that are collectively valued at approximately $36.1 million. These are multi-year contracts that cover up to the year 2021. In addition to the already secured contracts, the Group will also regularly tender for new projects and follow up on opportunities. The Group will continue to explore opportunities for revenue or profit accretive acquisitions, and innovative practices to improve productivity and revenue.

OUTLOOK

The Group believes that the outlook for the construction sector will remain challenging for 2018 in view of the continuing uncertainty in the external environment and economic outlook in Singapore and the major economies. Adding to this are the constraints posed by rising costs including labour cost, the property cooling measures, and increasing market competition in the industry, all of which make tenders far more competitive than was the case previously.

In view of the Group's proven track record and reputation, sound financial position, experienced professional management team, and secured pipeline of projects, the Group is well-positioned to ride out these difficulties.

APPRECIATION

Once again, we would like to express our appreciation and thanks to the members of the Board for their continuous guidance and invaluable contributions.

Lastly, we would also like to thank our valued shareholders, customers, suppliers and sub-contractors for their continued loyalty and support. Our heartfelt appreciation also goes to management and all staff for their commitment to the Group. By working together closely, we are confident that the Group will be in a position to achieve better results in the future.

WONG LOKE TAN
Non-Executive Independent Chairman

FOO CHEK HENG
Managing Director and Chief Executive Officer

5 April 2018

BUSINESS OVERVIEW

Koyo International Limited (the "Company" or "Koyo") has been listed on the SGX Catalist since 2009. Since our listing, Koyo is always actively reviewing its businesses in search of new opportunities and markets with the aim of focusing on high value products and services with long term potential to complement its growth. Currently, the principal activities of the Koyo and its subsidiaries (collectively, the "Koyo Group" or the "Group") can be broadly categorised into four core business segments. These include the 1) provision of mechanical and electrical (M&E) engineering services; 2) the supply of renewable energy and green products for building services; 3) property development and construction; and 4) the supply of construction materials and ancillary services related to it.

PROVISION OF MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

We offer a total solutions package which involves design, integration, build, implementation, test, commission and maintenance for our customers. This includes designing and installing of high and low-voltage electrical distribution systems, air conditioning and mechanical ventilation systems as well as fire protection systems. We also provide maintenance, repair and replacement services for commercial buildings, hotels, schools and libraries in Singapore. Our engineering designs and installation work are applicable to clients in the construction, marine, oil and gas, industrial and pharmaceutical industries. At Koyo, we aim to provide value to all customers by anticipating their every needs and problems. This will allow us to provide to our customers the best engineering solutions at the highest attainable standards, commensurating with the project requirements and budget.

RENEWABLE ENERGY AND GREEN PRODUCTS

Koyo focuses on integrating environmental engineering and clean technologies for industries. We do so by providing an innovative, practical, and total solution to our clients in order for them to promote a sustainable environment and achieve greater energy efficiency.

We possess the necessary competitive strengths needed to differentiate ourselves. We offer a full suite of clean technologies ranging from large scale solar heat collector arrays, hot water storage tanks, high-temperature heat pumps, phase change materials, non-chemical water treatment, and liquid desiccant systems. We are also able to provide a vast array of services such as design-and-build, execution, and facilities management. Koyo will always strive to provide the most effective clean technology products to suit our customers' needs.

PROPERTY DEVELOPMENT

In 2014, Koyo expanded its business to include property development and construction, property management and property investment in order to enlarge its geographical scope to include countries outside of Singapore and participate in the growth prospects of the property industries in those countries. Doing so will allow the group to leverage on its existing core business, diversify its risks, and provide a new income stream.

SUPPLY OF CONSTRUCTION MATERIALS

Koyo engages in the supply of construction materials related business which includes the procurement, supply and importation of essential construction materials including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates. As part of the business of supplying construction materials, we will also engage in the ownership, acquisition and operation of mines and concession to produce and process construction materials, including but not limited to sand and granite. We will also offer a series of services such as chartering, operation and management of sea going vessels, as well as provision of marine transportation, logistics and support services, including but not limited to stevedoring and dredging services. In 2015, shareholders' approval was obtained for the diversification of the Group's business to include, *inter alia*, the business of supply of construction materials.

A summary of Koyo's products and services is as follows:

A. MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

1) INTEGRATED M&E ENGINEERING

- Air-conditioning and Mechanical Ventilation
- Plumbing and Sanitary Installation
- Fire Prevention and Protection System
- Integrated Monitoring and Control Systems
- HT Electrical Distribution Systems
- LT Electrical Distribution Systems
- Communications and Security Systems
- Facility Management

2) INDUSTRIAL ENGINEERING

- **Design, Integration and Implementation of:**
  - Waste Treatment Plant
  - Dust Collector (Environmental Control) System
  - Mechanical Handling System (incld. Container Cranes)
  - Production Conveyors
  - Industrial Machines and Pipe Work
  - Cleanroom (Class 10 – 100,000)
  - Energy Saving Systems
  - Environmental Management Systems

3) OIL, GAS AND MARINE ENGINEERING

- **Provision of:**
  - Stainless Steel Piping and Ducting work
  - Equipment Installation
  - Electronics & Control Instrumentation Systems
  - HVAC Systems

B. RENEWABLE ENERGY AND GREEN PRODUCTS

1) SOLAR WATER HEATING

- Solar heat collector arrays
- Pressurised/Non-pressurised hot water storage tanks
- High-temperature heat pumps

2) NON-CHEMICAL WATER TREATMENT SYSTEM

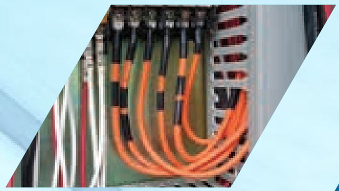
- Electrostatic water treatment

3) THERMAL ENERGY

- Phase Change materials

4) DEHUMIDIFICATION AND AIR-CONDITIONING

- Liquid desiccant system
- Regenerator
- Conditioner
- Degassing system with pneumatic expansion tank
- Condensate water collection system



C. PROPERTY DEVELOPMENT AND CONSTRUCTION

- Residential buildings
- Commercial buildings
- Hotels

D. SUPPLY OF CONSTRUCTION MATERIALS AND SERVICES

- Reclamation sand
- Construction sand
- Armour rock
- Granite and other aggregates
- Stevedoring/Dredging/Shipping
- Ownership/Acquisition of mines and concessions
- Chartering
- Marine transportation
- Logistic and support service

PERFORMANCE REVIEW

REVENUE

Koyo recorded a higher revenue of approximately $15.8 million for the financial year ended 31 December 2017 ("FY2017"), a 4.6% increase from FY2016's revenue of $15.1 million.

COST OF SALES

In line with the increase in revenue, cost of sales increased by 7.2% to approximately $11.0 million for FY2017. Gross profit decreased slightly by 0.8% or $41,000 to approximately $4.81 million in FY2017 as compared to FY2016.

GROSS PROFIT MARGIN

Koyo's gross profit margin weakened by 1.7% to approximately 30.4% in FY2017. The decrease was mainly due to a decrease in gross profit margin for the mechanical engineering segment. As the ongoing mechanical engineering projects for FY2017 are in progress, not many variation orders have been received.

PROFIT BEFORE TAX

The Group recorded a pre-tax profit of $0.69 million in FY2017. This was a decrease of $80,000 as compared to FY2016 and was mainly attributable to a decrease in other income and an increase in depreciation.

BALANCE SHEET

We maintained cash and cash equivalents of $17.6 million and total assets of $24.7 million against total liabilities of $6.1 million. Our net asset value per share stands at 9.81 cents notwithstanding the basic earnings per share decreasing to 0.36 cents compared to 0.40 cents in FY2016.

Trade and other receivables increased by $0.9 million or 15.4% from $5.8 million as at 31 December 2016 to $6.7 million as at 31 December 2017. Trade receivables (excluding progress claims) turnover days increased from 61 days in FY2016 to 78 days in FY2017.

Property, plant and equipment increased by 291.3% to approximately $0.4 million as at December 2017, mainly due to purchase of equipments and tools, motor vehicles, computers and software.

Trade and other payables increased by approximately $2.5 million or 70.8%, from $3.5 million as at 31 December 2016 to S$6.0 million as at 31 December 2017.

FIVE-YEAR FINANCIAL SUMMARY

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Consolidated Income Statement					
Revenue	15,825	15,125	14,641	20,321	15,147
Profit before income tax	719	799	1,211	2,065	1,057
Profit after income tax	690	735	1,084	1,911	970
Profit attributable to equity holders of the Company	690	735	1,084	1,911	970
Consolidated Balance Sheet					
Property, plant and equipment	360	92	96	136	229
Cash and cash equivalents	17,567	15,638	14,393	15,708	11,237
Other assets	6,735	5,840	7,790	6,918	10,871
Total assets	24,662	21,570	22,279	22,762	22,337
Total borrowings	70	–	–	12	34
Other liabilities	6,011	3,551	4,249	5,424	6,577
Total liabilities	6,081	3,551	4,249	5,436	6,611
Net assets	18,581	18,019	18,030	17,326	15,726
Share capital	4,449	4,449	4,199	4,169	4,169
Treasury shares	(630)	(630)	–	–	–
Other reserves	(186)	(248)	(150)	(122)	(98)
Retained profit	14,948	14,448	13,981	13,279	11,655
Shareholders' equity	18,581	18,019	18,030	17,326	15,726
Ratios					
Profit attributable to equity holders of the Company as a percentage of:					
Total revenue	4.36%	4.86%	7.40%	9.40%	6.40%
Average shareholders' equity (Note 1)	3.77%	4.08%	6.13%	11.56%	6.37%
Per share:					
Earnings attributable to the equity holders of the Company (Note 2)	0.36 ¢	0.40 ¢	0.57 ¢	1.00 ¢	0.51 ¢
Net asset value of the Group (Note 3)	9.81 ¢	9.51 ¢	9.41 ¢	9.07 ¢	8.23 ¢
Dividends paid and/or proposed (Note 4)					
Final dividend	0.10 ¢	0.10 ¢	0.15 ¢	0.20 ¢	0.15 ¢

Notes:

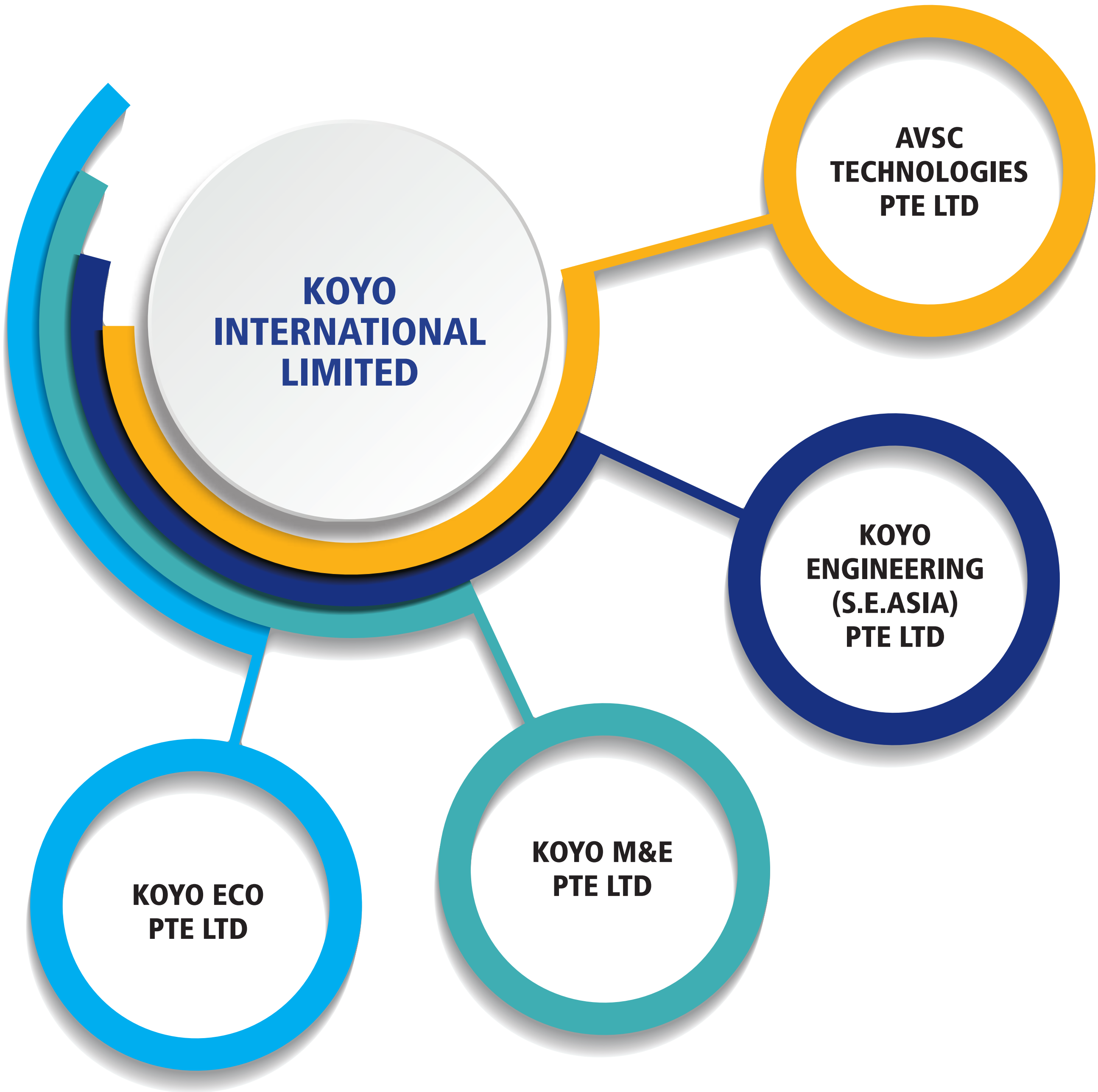
(1) Average shareholders' equity is computed based on the average of shareholders' equity as at the end of the current and previous financial year.

(2) Earnings per share (basic) is computed based on the weighted average number of ordinary shares outstanding during the year.

(3) Net asset value per share is computed by dividing the shareholders' equity by the number of ordinary shares in issue at each year end.

(4) Please refer to Note 21 of the Notes to the Financial Statements for the treatment of the proposed dividend in the accounts. Dividend proposed for FY 2017 is subject to the approval of shareholders at the forthcoming annual general meeting on 27 April 2018.

CORPORATE **STRUCTURE**



CORPORATE **PROFILE**

Koyo Group consists of the holding company Koyo International Limited, and its directly wholly owned subsidiaries Koyo Engineering (S.E.Asia) Pte. Ltd. and AVSC Technologies Pte. Ltd. Its two wholly owned indirect subsidiaries are Koyo M&E Pte. Ltd. and Koyo Eco Pte. Ltd..

KOYO ENGINEERING

Koyo Engineering (S.E.Asia) Pte. Ltd. ("Koyo Engineering") is one of the leading home grown mechanical and electrical ("M&E") engineering specialist service providers and provides quality service to a wide range of diverse customers. Koyo Engineering has an extensive track record in project management and implementation of M&E services for Industrial, Commercial and Residential Buildings which includes retrofitting works, alteration & addition works, new installation works, replacement works; design, integration and implementation of industrial engineering services; oil, gas and marine engineering services and facilities management.

By offering a full suite of M&E services, customers can have a vast array of services to choose from. Such services range from integrated, design-and-build, execution and maintenance to facilities management services. Today, Koyo Engineering serves customers from all industries, including those in the construction, marine, oil and gas, industrial and pharmaceutical industries as well as the public sector.

With the Building and Construction Authority ("BCA") gradings of L5 for electrical engineering and L6 for (i) air-conditioning, refrigeration & ventilation works; and (ii) integrated building services, Koyo Engineering is able to undertake mechanical and electrical services work of unlimited value for public projects. This is because the L6 grading is the highest category issued by the BCA.

With over 34 years of experience in providing M&E engineering services, Koyo Engineering has been able to establish a reputation and a good track record for itself. Koyo Engineering had been awarded the prestigious SME 500 award in 2009. Today, Koyo Engineering has successfully completed more than 167 projects, which includes consulting, design, procurement and fabrication and construction projects.

Koyo Engineering is equipped with all the necessary competitive strengths needed to rank among the best of M&E service providers in the region. Koyo Engineering invests in training and constantly upgrades the skills of its workforce to be able to provide quality service to all of its customers.

AVSC TECHNOLOGIES

AVSC Technologies Pte. Ltd. ("AVSC Technologies") aims to be one of the leading construction material suppliers in Singapore. To do so, AVSC Technologies offer a full range of services that are integral to the supply of construction materials in Singapore. These include the ownership of mines and concession for raw materials, shipping/chartering services, logistics planning and ancillary support services such as stevedoring and dredging.

With a BCA grading of L6 for the SYO1C work head for the supply of basic construction materials, AVSC is able to tender for unlimited value for the supply and delivery of reclamation sand. AVSC has also been granted an import licence for importing essential construction materials from the BCA, which allows AVSC to carry out the business of importing essential construction materials.

CORPORATE **PROFILE**

KOYO ECO

Koyo Eco Pte. Ltd. ("Koyo Eco") focuses on integrating environmental engineering and clean technologies for industries by offering a full suite of clean technologies ranging from large scale solar heat collector arrays, hot water storage tanks, high-temperature heat pumps, phase change materials, non-chemical water treatment, electrical licensing services and liquid desiccant systems.

Koyo Group has integrated and installed what is arguably Singapore's largest capacity for phase change material with a chiller plant system. This is particularly important because phase change material can be used to help the chiller plant system to run at the most efficient level even during high or low load conditions. The proprietary blend of inorganic hydrated salts used as the phase change material can freeze at a range of temperature from 8 degree Celsius to 15 degree Celsius. This was successfully implemented at Cleantech 2 @ Cleantech Park, a premier development by Jurong Town Corporation.

Koyo International Limited had been awarded the prestigious Singapore 1000 Company award in 2017.

In conclusion, we, at Koyo, aim to provide value to all our customers, anticipating their every need and problem regardless of business sector. This is the commitment that Koyo strictly adheres to. Koyo will always strive to provide the best engineering solutions at the highest attainable standards that will commensurate with the project requirements and budget.

BOARD OF DIRECTORS

WONG LOKE TAN
Non-Executive Independent Chairman

Wong Loke Tan is the Company's Non-Executive Independent Chairman, first appointed to the Board as a Non-Executive Independent Director on 12 August 2016. He was appointed the Non-Executive Independent Chairman on 23 February 2017. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Wong is a senior banker with over 30 years of banking experience in international banks and Singapore's longest established bank, OCBC Bank. His experience and expertise span across syndicated loans, project financing, structured trade financing and merger and acquisitions.

He is particularly known in the business community for his extensive network and strong rapport with Singapore SMEs. Mr Wong remains active in the SME and Corporate business circle.

Mr Wong left banking in June 2016 as a Senior Vice President with Maybank, Singapore. Currently, he is a Non-Executive Independent Director of Union Steel Holdings Limited and he is also a Non-Executive Independent Director of Adventus Holdings Limited. Both companies are listed in Singapore.

Mr Wong is dedicated to contributing to civic organisations such as the Saint Gabriel's School Management Committee. In 2013, he was awarded the Bronze Medallion Service Award by the Ministry of Education in recognition of his contributions and services.

YEO GUAT KWANG
Non-Executive Independent Director

Yeo Guat Kwang was appointed to the Board on 15 July 2009 and was last re-elected on 27 April 2017. He is the Chairman of the Nominating Committee and also a member of the Audit and Remuneration Committees.

Mr. Yeo is an Assistant Director-General of National Trades Union Congress (NTUC), Chairman of the Migrant Workers Centre and Centre for Domestic Employees. He was a Member of Parliament from 1997 to 2015. Mr Yeo is also a Lead Independent Director of SIIC Environment Holdings Ltd.

FOO CHEK HENG
Managing Director and Chief Executive Officer

Foo Chek Heng was appointed Managing Director on 21 January 2009 and was last re-elected on 27 April 2017. Chek Heng is a director of Koyo M&E since September 2006.

Chek Heng has more than 30 years of experience in the M&E services industry. He is the founder of Koyo and is responsible for the strategic direction, planning, development and investment of the long term growth of the business, as well as its overall general management and operations.

Chek Heng holds a Bachelor of Science (Honours) degree in Mechanical Engineering and a Master of Science degree in Mechanical Engineering (HVAC) from King's College, University of London.

SERENA LEE CHOOI LI
Non-Executive Independent Director

Serena Lee was appointed to the Board on 13 June 2007 and was last re-elected on 28 April 2016. She is the Chairman of the Remuneration Committee and also a member of the Audit and Nominating Committees.

Serena is a solicitor of England and Wales and is also an advocate and solicitor of the Supreme Court of Singapore. She was trained in London and has been practising in Singapore for more than sixteen years in corporate/commercial, property and banking areas. She is currently a partner of CTLC Law Corporation and is also a secretary for some 80 companies.

Serena holds a Bachelor of Law (2nd Upper Honours) degree from the University of Sheffield and was also trained at the Chester Law School before training as an Articled Clerk in Simmons & Simmons, London.

FOO SUAY WEI
Executive Director

Foo Suay Wei is the Executive Director of Koyo appointed in December 2014 and was re-elected on 29 April 2015. He joined Koyo in August 2013 as Strategy and Business Development Manager and was promoted to Senior Manager in March 2014. He is also the Management Representative for the OHSAS 18001 for occupational health and safety management systems. He was previously an Assistant Director at the Monetary Authority of Singapore from 2009 to 2012.

Suay Wei oversees the operations of the Group and also contributes to its business development and strategic plans.

Suay Wei was appointed Managing Director of Koyo Engineering on 28 October 2016.

Suay Wei is a member of the Institute of Singapore Chartered Accountants, a fellow of the Association of Chartered Certified Accountants, a member of the Chartered Alternative Investment Analyst, and has completed all examinations administered by the Chartered Financial Analyst Institute. He holds a Bachelor of Engineering degree from the National University of Singapore and a Masters of Business Administration degree from the University of Cambridge.

KEY MANAGEMENT **TEAM**

DALAT KOSITANON
Corporate Services Division Manager

Dalat Kositanon is the manager of the Corporate Services Division of Koyo. Her duties are to oversee the administrative and human resource functions of Koyo. She has held this position since 1994. Dalat holds a Postgraduate Diploma in Education and a Master of Arts degree (Psychology of Education), both from the Institute of Education, University of London.

GOH TECK SOON
Senior M&E Manager

Goh Teck Soon is the Project Manager overseeing major projects undertaken by Koyo. He has more than 20 years of experience in M&E engineering. He has been involved in various commercial and industrial projects including clean room construction in Singapore prior to joining Koyo in 2011. He holds a diploma in Mechanical Engineering from the Singapore Polytechnic.

GOH CHIN HIEW
Commercial Division Manager

Goh Chin Hiew is the manager of the Commercial Division of Koyo and has been with Koyo since February 1999. As the manager of the Commercial Division, her job scope and responsibilities cover the tender, procurement, maintenance and quantity surveying departments.

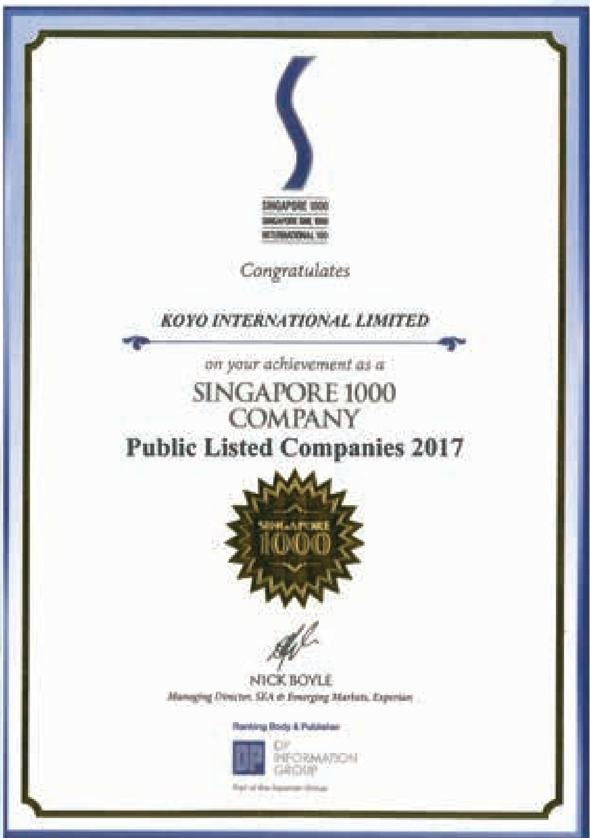
Her current duties include tendering, procurement, liaising and coordinating projects for Koyo. She is also the management representative for the ISO 9001 Quality Management System.

Chin Hiew has more than 10 years of experience in the engineering and construction industry. She holds a Diploma in Electrical Engineering from the Ngee Ann Polytechnic of Singapore.

GOH HWEE HIONG
Chief Financial Officer

Goh Hwee Hiong is the Chief Financial Officer of Koyo and has been with Koyo since September 2005. She has more than 6 years of experience in auditing and more than 10 years of experience in commerce as an accounts manager and finance manager.

Hwee Hiong is a member of the Institute of Singapore Chartered Accountants. She holds a Bachelor degree of Accountancy from the National University of Singapore.



Koyo International Limited ("**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries ("**Group**"). Good corporate governance establishes and maintains an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company ("**Shareholders**").

This Report describes the Company's corporate governance practices that were in place during the financial year ended 31 December 2017 ("**FY2017**") with specific reference made to the principles and guidelines as set out in the Code of Corporate Governance 2012 ("**Code**") and the disclosure guide developed by the Singapore Exchange Securities Limited ("**SGX-ST**") in January 2015 ("**Guide**"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors' ("**Board**") principal functions include, among others, supervising the overall management of the business and affairs of the Group and setting the Group's corporate and strategic policies and direction. The principal duties of the Board include the following:

- Protecting and enhancing long-term value and return to its shareholders;
- Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives;
- Reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- Ensuring the effectiveness and integrity of Management;
- Conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;
- Approving nominations to the Board and appointment of key executives;
- Ensuring the Group's compliance with all relevant and applicable laws and regulations; and
- Assuming responsibility for the corporate governance of the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist the Board in discharging its responsibilities effectively and efficiently, the Board has delegated certain responsibilities to the three committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). The Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

The Board meets regularly 4 times a year to oversee the business affairs of the Group. The Board is free to seek clarification and information from Management on all matters within their purview.

Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via telephone or video conference are permitted by the Company's Constitution.

CORPORATE **GOVERNANCE**

Details of the attendance of the Board members at the meetings of the Board and Board Committees for FY2017 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	5	2	1	2
Name of Directors	**No. of Meetings attended**			
Wong Loke Tan(1)	5	1	N/A	1
Foo Chek Heng	5	N/A	1	N/A
Yeo Guat Kwang	5	2	1	2
Serena Lee Chooi Li	4	1	1	2
Foo Suay Wei	5	N/A	N/A	N/A

Notes:

(1) Mr Wong Loke Tan was first appointed to the Board as a Non-Executive Independent Director on 12 August 2016 and was subsequently appointed as the Non-Executive Independent Chairman on 23 February 2017.

N/A denotes not applicable

Matters that are specifically reserved for the Board's approval include:

1. Reviewing the composition of the Board annually;
2. Reviewing of Board succession plans for Directors, in particular the Managing Director/Chief Executive Office ("**CEO**");
3. Corporate strategy and business plans;
4. Capital expenditures;
5. Capital borrowings and financial commitments;
6. Material interested person transactions;
7. Major funding proposals, investments, acquisitions and divestments;
8. Budgets, financial results announcement, annual report and audited financial statements;
9. Internal controls and risk management strategies and execution;
10. Appointment of directors and key management personnel;
11. Convening of shareholders' meetings; and
12. Declaration of interim dividends and proposal of final dividends.

To ensure Directors can fulfill their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Such training costs are borne by the Company.

The Directors are also updated regularly with changes to the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Rules of Catalist**"), risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors will update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. Appropriate external trainings for Directors conducted by the Singapore Institute of Directors and other organisation will be arranged when necessary. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. Newly appointed Directors will also be issued a formal letter setting out their duties and obligations.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises five (5) members with a majority of independent Directors – three (3) Non-Executive Independent Directors and two (2) Executive Directors. As at the date of this report, the Board members are as follows:

Wong Loke Tan(1)	(Non-Executive Independent Chairman)
Foo Chek Heng	(Managing Director and CEO)
Foo Suay Wei	(Executive Director)
Yeo Guat Kwang	(Non-Executive Independent Director)
Serena Lee Chooi Li	(Non-Executive Independent Director)

(1) Mr Wong Loke Tan was first appointed to the Board as a Non-Executive Independent Director on 12 August 2016 and was subsequently appointed as the Non-Executive Independent Chairman on 23 February 2017.

The Company is in compliance with Guideline 2.2 of the Code where Independent Directors make up more than half of the Board. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

The independence of each Director is reviewed annually by the NC. The NC and Board, takes into account relationships or circumstances, including those identified by the Code that are relevant in its determination as to whether a Director is independent. Moreover, the Chairman of the NC is not associated, directly or indirectly, with a 10% Shareholder, in current or immediate past financial year to enhance an independent view to the best interests of the Company.

In line with Guideline 2.4 of the Code, the NC had conducted a rigorous review on the independence of the Non-Executive Independent Director, Ms Serena Lee Chooi Li and considers that Ms Serena Lee Chooi Li is independent even though she had served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Ms Serena Lee Chooi Li are set out below.

The NC is of the view that Mr Wong Loke Tan, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li are independent.The Board has determined after taking into account the views of the NC, that the aforementioned directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the aforementioned directors' judgement. In performing the NC's review of the independence of the aforementioned Directors, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, being members of the NC, has each abstained from participating in the review of the assessment of his/her independence. In addition, in performing the Board's review of the independence of the aforementioned Directors, Mr Wong Loke Tan, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, each abstained from participating in the review of the assessment of his/her independence. The Non-Executive Independent Directors have also confirmed their independence in accordance with the Code.

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Notwithstanding Ms Serena Lee Chooi Li had served on the Board beyond 9 years, the Board is of the view that Ms Serena Lee Chooi Li remains independent as she has (i) contributed constructively throughout her term in the Company; (ii) sought clarification and amplification as she deemed necessary, including through direct access to key management personnel; and (iii) provided impartial advice and insights, and has exercised her independent judgment at Board and Board Committees meetings in doing so. Based on the aforementioned, the Board is of the view that she has been and has the ability to continue exercising independent judgment in the best interests of the Company in the discharging of her duties as an Independent Director of the Company. Ms Serena Lee Chooi Li had abstained from the determination of her own independence. The following assessments were conducted and deliberated by the Board before arriving at the conclusion; (i) assessment of questions and voting actions of Ms Serena Lee Chooi Li by the Board; and (ii) her declaration and individual evaluations.

In considering whether an Independent Director who has served on the Board for 9 years is still independent, the Board has also taken into consideration the following factors:

a. The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company.

b. The attendance and active participation in the proceedings and decision making process of the Board and Board Committees meetings.

c. Provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.

d. The qualification and expertise provides reasonable checks and balances for the Management.

There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/or not to be independent.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

The Board through the NC, has examined its structure, size and composition and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Non-Executive Independent Directors have met at least once per year in the absence of key management personnel in FY2017.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and the Managing Director/CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director/CEO.

As the Non-Executive Independent Chairman, Mr Wong Loke Tan bears responsibility for overseeing the business of the Board and, together with the AC, ensures the integrity and effectiveness of the governance process of the Board. He leads the Board discussions and ensures that Board meetings are convened when necessary. In addition, the Chairman promotes a culture of openness and debate at the Board; ensures that the directors receive complete, adequate and timely information; encourages constructive relations within the Board and between the Board and management; and facilitates the effective contribution of non-executive directors in particular. The Chairman chairs the annual general meetings ("**AGM**") and ensures constructive communication between shareholders, the Board and management.

As Managing Director/CEO, Mr Foo Chek Heng bears executive responsibility for the overall daily operations of the Group's various businesses. He also oversees the execution of the business and corporate strategy decisions made by the Board.

All major decisions made by the Board are subject to majority approval of the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

As at the date of this report, the Board comprises five (5) Directors, two (2) of whom are Executive Directors while three (3) are Non-Executive Independent Directors.

Name of Directors	Position	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Wong Loke Tan	Non-Executive Independent Chairman	12.08.2016	27.04.2017
Foo Chek Heng	Managing Director/CEO	21.01.2009	27.04.2017
Foo Suay Wei	Executive Director	26.12.2014	29.04.2015
Yeo Guat Kwang	Non-Executive Independent Director	15.07.2009	27.04.2017
Serena Lee Chooi Li	Non-Executive Independent Director	13.06.2007	28.04.2016

The NC comprises Mr Yeo Guat Kwang as Chairman and Mr Foo Chek Heng and Ms Serena Lee Chooi Li as members, a majority of whom, including the NC Chairman are independent. The NC has adopted specific written terms of reference which includes:

a) reviewing and recommending the nomination or re-nomination of directors, having regard to the director's contribution and performance;

b) reviewing each of the director's independence annually;

c) reviewing whether or not a director is able to and has been adequately carrying out his duties as a director;

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d) considering whether or not a director who has multiple board representations is able to and has been adequately carrying out his duties as a director of the Company;

e) reviewing the composition of the Board annually; and

f) reviewing of Board succession plans for Directors.

The NC also ensures that the Board, as a whole, possesses the core competencies required by the Code. All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

Before making its recommendation to the Board for the re-appointment of a retiring Director, the NC takes into consideration the current needs of the Board, the Director's contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board). The Director is also assessed based on his ability to adequately carry out the duties expected while performing his roles in other companies or other appointments.

Under Regulation 98 of the Company's Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every AGM provided that all Directors shall retire from office at least once every three (3) years. Under Regulation 99 of the Company's Constitution, the retiring Director shall be eligible for re-election.

Mr Foo Suay Wei and Ms Serena Lee Chooi Li who were last re-elected on 29 April 2015 and 28 April 2016 respectively are due to retire at the forthcoming AGM for re-election pursuant to Regulation 98 of the Company's Constitution.

The NC, having reviewed and being satisfied with their overall contribution and performance as directors of the Company, has recommended that Mr Foo Suay Wei and Ms Serena Lee Chooi Li be nominated for re-election at the forthcoming AGM.

Ms Serena Lee Chooi Li, being a member of the NC and Mr Foo Suay Wei, who are retiring at the forthcoming AGM, have abstained from voting on the resolutions in respect of their re-nomination as Directors.

Ms Serena Lee Chooi Li will, upon re-election as a Director of the Company, remain as Non-Executive Independent Director of the Company, the Chairman of Remuneration Committee and a member of the Audit Committee and Nominating Committee. The Board considers Ms Serena Lee Chooi Li to be independent for the purpose of Rule 704(7) of the Rules of Catalist.

Mr Foo Suay Wei will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

New directors are appointed by the Board upon the recommendation of the NC. In the nomination and selection process, the NC first considers the range of skills and experience required in the light of the, *inter alia*,:

a) Strategic direction and progress of the Group;

b) Current composition of the Board; and

c) Need for independence.

After which, the NC will source for potential candidates, usually through recommendations from Directors and Management. However, external help may also be sought to source for potential candidates. Next, the NC will conduct interviews and assess the suitability of the short-listed candidates. The NC would recommend the selected candidate to the Board for consideration and approval. The criteria used to short-list candidates include possession of expert knowledge that meets the needs of the Company, the ability to commit time, the character, business experience and acumen.

Notwithstanding that some of the Directors have multiple board representations, the NC and Board is satisfied that each Director is able to and has been adequately carrying out his duties as a director of the Company. Only two (2) Directors is a director of other listed companies. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises.

The considerations in assessing the capacity of Directors include, *inter alia*, (i) Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; (ii) Geographical location of Directors; (iii) Size and composition of the Board; (iv) Nature and scope of the Group's operations and size; and (v) Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The Company currently does not have any alternate directors.

Key information regarding the Directors, including their principal commitments, directorships in other listed companies both present and those held over the preceding 3 years are set out in the Board Members' section in page 11 of this annual report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The NC decides on how the Board's, Board Committees' and individual Directors' performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and Board Committees and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director. On a yearly basis, each member of the Board is assessed individually according to, among other things, his contributions and effectiveness.

The NC reviews the criteria for evaluation annually and making changes where necessary to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, which would be subject to the approval of the Board.

The review parameters for evaluating each Director include, among others, the following:

i. attendance at Board and Board Committees meetings;

ii. preparedness and participation at meetings;

iii. availability for consultation and advice, when required; and

iv. knowledge, abilities, teamwork and integrity.

The NC also assessed the effectiveness of the Board as a whole by evaluating factors such as the adequacy and size of the Board, the individual director's contribution towards the effectiveness of the Board, the Board's access to information, Board processes and accountability and communication with senior management. Each Director completes a self-evaluation checklist which integrates the assessment of the Board, Board committees, Chairman and individual directors. No external facilitator was used in the evaluation process of the individual directors and the Board.

The NC did not propose any changes to the performance criteria for FY2017 as the Group's principal business activities remained the same since FY2016.

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The NC has assessed the current Board and Board Committees' performance to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, and of each individual Director has met their performance objectives.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Management provides the Board with key information that is complete, adequate and timely. Prior to each Board Meeting, each director is supplied with relevant information by the management pertaining to matters to be brought before the Board for its decision as well as ongoing reports relating to operational and financial performance of the Group. In view of the Company's half yearly reporting requirements, the Company provides the Board with its accounts on a half yearly basis. Financial information, reports and assessments are provided for circular meetings as well to provide sufficient information to the Board to make their decision.

The Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings.

Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. All directors have separate and independent access to the Company's senior management.

All directors have separate and independent access to the Company Secretary. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board, includes ensuring that Board procedures are followed; applicable rules and regulations are complied with, ensuring good information flow within the Board and its committees and between senior management and Non-Executive Directors, facilitating the Directors' orientation programme, and assisting with professional developments as required. The Company Secretary and/or her representative administer, attend and prepare the minutes of all Board and Board Committee meetings.

The Board in the furtherance of its duties, may seek independent professional advice at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC is chaired by Ms Serena Lee Chooi Li and comprises Mr Yeo Guat Kwang and Mr Wong Loke Tan as members, all of whom, including the chairperson of the RC are Non-Executive Independent Directors.

The key terms of reference of the RC are, *inter alia*, as follows:

(a) To review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director; and

(b) To review and recommend to the Board the service contracts of Executive Directors and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses.

No Director or member of the RC is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in their deliberations.

The RC is responsible for reviewing and approving the remuneration packages of the executive directors and key management personnel, and recommending to the Board the fees of the non-executive directors. The RC's recommendations are submitted for endorsement by the entire Board.

The RC met two times in FY2017.

The RC may from time to time, when necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management, so that the Group remains competitive in this regard. During FY2017, the Company did not engage any independent remuneration consultant.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company's remuneration policy which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, benefits-in-kind, bonuses and options, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

The RC seeks to ensure that the structure of remuneration packages for the Executive Directors and key management personnel are appropriate in linking rewards with performance and that such remuneration packages are aligned with the interests of shareholders and promote the long-term success of the Group.

The review of the remuneration of key management personnel takes into consideration the performance and the contributions of the key management personnel to the Company and gives due regard to the financial and business performance of the Group. The group seeks to offer a competitive level of remuneration to attract, motivate and retain key management with the required competency to run the Group successfully.

The Company has entered into separate service agreements with the Managing Director/CEO, Mr Foo Chek Heng and the Executive Director, Mr Foo Suay Wei of which each initial service agreement is valid for an initial period of three (3) years and subject to automatic renewals every 3 years, on such terms and conditions as the parties agree. Their performance conditions are pre-determined includes conditions such as, *inter alia*, the Group's profit before tax. The RC has reviewed and is of the view that there are no onerous compensation commitments on the part of the Company in the event of an early termination of the aforementioned service agreements. The notice period for the termination of the aforementioned service agreements is three months.

The Non-Executive Independent Directors do not have any service agreements with the Company. The fees of the Independent Directors are determined by the Board, according to the level of their contributions, taking into account factors such as effort and time spent, and their respective responsibilities as Non-Executive Independent Directors. Save for Director's fees, which have to be approved by the Shareholders at every AGM, the Non-Executive Independent Directors do not receive any other remuneration from the Company.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

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Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown, showing the level and mix of each individual Director's remuneration for FY2017 is as follows:

	Director Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	%
$500,000 – $750,000						
Foo Chek Heng	–	84	7	9	–	**100**
$250,000 – $500,000						
Foo Suay Wei	–	74	6	20	–	**100**
Below $250,000						
Wong Loke Tan	100	–	–	–	–	**100**
Yeo Guat Kwang	100	–	–	–	–	**100**
Serena Lee Chooi Li	100	–	–	–	–	**100**

Note:

^ Details of the Koyo International Employee Share Option Scheme 2011 ("**KSOS**") can be found on pages 23 to 24, 32 and 33 of this annual report.

For competitive and confidentiality reasons, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management personnel. The Company is instead disclosing the remuneration of each individual Director and key management personnel in bands of $250,000.

A breakdown, showing the remuneration paid to the Group's top 5 key management personnel (who are not Directors or the Managing Director/CEO of the Company) for FY2017 is as follows:

	Director Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	%
Below $250,000						
Heng Jee Moi	–	100	–	–	–	100
Dalat Kositanon	–	81	13	6	–	100
Goh Hwee Hiong	–	88	12	–	–	100
Goh Chin Hiew	–	80	16	4	–	100
Goh Teck Soon	–	93	7	–	–	100

Note:

^ Details of the KSOS can be found on pages 23 to 24 of this annual report.

Details, in incremental bands of S$50,000, of the remuneration of employees who are immediate family members of a director or the Managing Director/CEO whose remuneration exceeds S$50,000 for FY2017 is as follows:–

Remuneration Band	**Relationship with Director or Managing Director/Chief Executive Officer**
S$150,000 to S$199,999	
Dalat Kositanon	(1) Spouse of Mr Foo Chek Heng, the Company's Managing Director/ Chief Executive Officer (2) Mother of Mr Foo Suay Wei, the Company's Executive Director
S$100,000 to S$149,999	
Foo Suay Lun	(1) Son of Mr Foo Chek Heng, the Company's Managing Director/ Chief Executive Officer (2) Brother of Mr Foo Suay Wei, the Company's Executive Director
S$50,000 to S$99,999	
Heng Jee Moi	(1) Mother of Mr Foo Chek Heng, the Company's Managing Director/ Chief Executive Officer (2) Grandmother of Mr Foo Suay Wei, the Company's Executive Director

For FY2017, the total remuneration paid to the directors of the Group was $1,373,000 and the total remuneration paid to the key top 5 management personnel (who are not the Directors or the Managing Director/CEO) of the Company was S$537,000.

There are no termination, retirement or any post-employment benefits granted to Directors and key management personnel.

The Group adopts a remuneration policy for staff comprising fixed component and a variable component. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the Company's and individual's performance. The management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of Koyo's performance.

Share Option Schemes

The KSOS was approved by Shareholders and adopted by the Company on 25 April 2011. The KSOS is administered by the Remuneration Committee. The duration of KSOS is subjected to a maximum period of 10 years from the date that it was adopted on 25 April 2011.

The purpose of the KSOS is to provide an opportunity for the Group's employees, executive directors and non-executive directors who have contributed significantly to the growth and development of the Group to participate in the equity of the Company.

The Company, by adopting the KSOS, will give such Employees and Directors an opportunity to have a direct interest in the Company and will also help to achieve, *inter alia*, the following positive objectives:

(i) to motivate such Employees and Directors to maintain a high level of performance and contribution;

(ii) to attract and maintain a group of key Employees whose contributions are important to the long term growth and profitability of the Group;

(iii) to instil loyalty to and a stronger identification by Employees with the long-term prosperity of the Group; and

(iv) to attract potential Employees with relevant skills to contribute to the Group and to create value for Shareholders.

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Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at the discretion of the Remuneration Committee, at Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The market price ("**Market Price**") is defined as the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for three market days immediately preceding the date of the grant.

The exercise period of the options commences after two years from the date of grant of that option and expires five years from the offer date of that option (in the case where the option is granted at a discount) while the exercise period for the options granted at Market Price commences one year from the date of grant of that option and expires five years from the offer date of that option.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the KSOS, shall not exceed 15% of the issued share capital of the Company on the immediate day of the grant.

The Company had not granted any further share options to employees since the last grant in January 2013.

During FY2017, the details of the Options granted to key management personnel pursuant to the KSOS are as follows:–

Participant	Balance as at 01.01.17	Options granted during the financial year	Options lapsed/ cancelled during financial year	Options exercised during the financial year	Balance as at 31.12.17
Other Employees					
Dalat Kositanon	400,000	–	–	–	400,000
	400,000	–	–	–	400,000

The 400,000 outstanding options have been exercised after 31 December 2017.

Further details of the KSOS can be found on pages 67 to 69, note 18 of this Annual Report.

Accountability and audit

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its responsibility to provide a balanced and understandable assessment of the Company's performance, position and progress. The Board updates shareholders on the operations and financial position of the company through half-yearly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

The Management provides the Board with adequate and timely management accounts of the Group's performance on a regular basis in order to assist the Board in understanding the financial status and performance of the Group and for the Board to effectively discharge its duties.

In line with the Rules of Catalist, pursuant to Rule 705(5), the Board had provided a negative confirmation on the Group's half-yearly financial statements announcement.

Risk management and internal controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks.

Risk Management

The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The Company has an Enterprise Risk Management Framework in place for the Group. The said Framework has been reviewed by the AC and approved by the Board of Directors. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

Internal Control

The Company's IA conducts an annual review of the effectiveness of the Company's material internal control systems including financial, operational, compliance, information technology and sustainability controls. The external auditors, during the conduct of their normal audit procedures, may also report on matters relating to internal controls.

The Board has also received assurance from the Managing Director/CEO and the Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances for FY2017; and (ii) the Company's risk management and internal control systems in place are effective as at 31 December 2017 ("**Assurance**"). The Board has additionally relied on the IA's internal audit reports issued to the Company for FY2017 as assurances that the Company's risk management and internal control systems were adequate and effective.

Based on the internal controls established and maintained by the Group, Enterprise Risk Management Framework established and reviewed by the AC and Management, work performed by the IA and external auditors, the Assurance and reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC, is of the opinion that the internal controls and risk management systems of the Group are adequate and effective in addressing the Group's financial, operational, compliance and information technology risks as at 31 December 2017.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute assurance that the Group's assets are safeguarded. The Board notes that no system of internal and risk management can provide absolute assurance in this regard.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the AC Chairman, Mr Wong Loke Tan and two (2) other members, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, all of whom (including the chairman of the AC) are Non-Executive Independent Directors. The key terms of reference of the AC includes, *inter alia*:

(a) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Group's financial performance;

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(b) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

(c) Reviewing the effectiveness of the Company's internal audit function;

(d) Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and

(e) Making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The AC comprises of (i) Mr Wong Loke Tan, a highly experienced banker as the Chairman of the AC; (ii) Mr Yeo Guat Kwang, Assistant Director General of NTUC as a member of the AC; and (iii) Ms Serena Lee Chooi Li, a partner of CTLC Law Corporation as a member of the AC. As the AC members have many years of experience in legal and finance-related matters, the Board considers that the AC members to be appropriately qualified to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The AC has also met with external and internal auditors, without the presence of the Company's Management, at least once in FY2017.

During FY2017, the external auditors has during the presentation of the audit plan also provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements.

During FY2017, the AC has performed, *inter alia*, the following functions:

A. External & Internal Auditors

The AC has reviewed together with the external and internal auditors:

i. the audit plans of the external and internal auditors of the Company;

ii. their audit reports;

iii. the assistance given by the Company's officers to the external and internal auditors;

iv. the consolidated financial statements of the Group.

The AC has also reviewed the independence of the external auditors. The AC shall continue to monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors.

The aggregate amount of fees paid or payable to the external auditors during FY2017 is as follows:

Audit fees	–	$40,000
Non-audit fees	–	Nil

There were no non-audit services fees paid to the external auditors in FY2017 and accordingly, the AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the re-appointment of Messrs RT LLP as the auditors of the Company at the forthcoming AGM.

The Company is in compliance with Rule 712 and Rule 715 of the Rules of Catalist in relation to its external auditors.

The Company has put in place a whistle-blowing policy whereby employees may raise concerns about possible improper financial reporting or other matters to any member of the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up actions, all whistle blowing reports can be sent to any member of the AC. The members will then report to the Chairman of the AC. There were no whistle-blowing reports received during FY2017.

B. Review of financial statements

The half-yearly and full-year announcements are presented to the AC for approval, before endorsement by the Board, to ensure the integrity of information to be released.

During the financial year, the AC reviewed the half-year and full-year financial statements of the Company and the Group, including announcements relating thereto, released to Shareholders via SGXNet. The AC shall continue to review the financial statements of the Company and the Group on a half-yearly basis.

In the review of the financial statements for FY2017, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters. The Board had approved the financial statements.

C. Review of Adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls

The AC has reviewed the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls for FY2017.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company continues to engage Wensen Consulting Asia (S) Pte Ltd as the internal auditor ("**IA**") to perform the Company's internal audit function, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The IA primarily reports directly to the AC and reports administratively to the Managing Director/CEO. The IA has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm which the internal audit function of the Company is outsourced to. The AC, on an annual basis, assesses the effectiveness of the IA by examining the scope of the IA work and its independence of areas reviewed and the IA's report. The AC is satisfied that the internal audit function has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

The AC met with the IA without the presence of management at least once during FY2017.

The AC is satisfied that the internal audit function is staffed with qualified and experienced professionals with the relevant experience.

The IA performs detailed work to assist the AC in the evaluation of the Group's financial, operational, compliance and information technology controls based on the internal audit plan approved by the AC. Any material non-compliance or weaknesses in internal controls, including recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of actions taken by management of the Company on the recommendations made by the IA in this respect.

CORPORATE **GOVERNANCE**

COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper.

Shareholders are given the opportunity to participate effectively in and to vote at general meeting of shareholders.

An independent scrutineer is appointed by the Company for general meetings. Rules, including the voting procedures that govern the general meetings, will be explained to shareholders.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose all major developments that may have a material impact on the Group to its shareholders, in a timely and fair manner via SGXNet and/or press releases, as required by the Rules of Catalist. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through, *inter alia*:

- Annual report that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;

- Half-yearly and full-year announcements containing a summary of the financial information and affairs of the Group for that period; and

- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGMs**"). The notice of AGM and EGM are also advertised in a national newspaper.

The Company's website at http://www.koyotech.com at which our shareholders can access financial information and profile of the Group.

The Company does not have a dedicated investor relations team, as communications with shareholders are the responsibility of the Company's Management.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on various factors including (a) the level of available cash; (b) the return on equity and retained earnings; (c) projected level of capital expenditure and other investment plans and other factors as the Directors may deem appropriate. The Company has declared a first and final dividend of S$0.001 per ordinary share in respect of FY2017 which is subjected to shareholders' approval at the forthcoming AGM.

Conduct of Shareholder Meeting

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board welcomes the views of shareholders on matters affecting the Company whether at a shareholders' meeting or on an ad hoc basis. At the Company's AGM, shareholders are given the opportunity to air their views and to ask the Directors and Management questions regarding the Group and its prospects.

In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the views of shareholders and investors.

Notice of the general meeting is dispatched to shareholder, together with the annual report and explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. Separate resolutions are proposed at general meetings for each substantial issue, if any.

The Chairman of the Board and the respective chairpersons of the Board Committees are present and available to address questions at the general meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation of the auditors' report.

All resolutions will be put to vote by poll in all its general meetings and is integral in the enhancement of corporate governance. For cost effectiveness, the voting of the resolutions at the general meetings are conducted by manual polling and their detailed results will be announced via SGXNet after the conclusion of the general meeting.

All minutes of general meetings will be made available to shareholders upon their request.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted a code of conduct to provide guidance to its officers in relation to dealings in the Company's securities. The Company, Directors, officers and staff of the Group are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's full year or half-year results and ending on the date of the announcement of such results and at any time they are in possession of unpublished material price sensitive information in relation to these securities. Directors, officers and staff of the Group are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and advised not to deal in the Company's securities on short-term considerations.

Review of interested person transactions

The Group has procedures governing all interested person transactions to ensure that they are properly documented and reported in a timely manner to the AC and that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

There were no interested person transactions which were $100,000 and above for FY2017.

The Group does not have a general mandate from shareholders for the recurrent interested person transactions.

CORPORATE **GOVERNANCE**

Non-Sponsor Fees

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2017.

Material Contracts

There were no material contracts entered into by the Group involving the interests of any Director, and/or controlling shareholders and their associates, either still subsisting at the end of FY2017 or if not subsisting, which were entered into since the end of the previous financial years.

Sustainability Reporting

The Company is working towards the issuance of its first sustainability report by 31 December 2018 and such report will be made available to shareholders on the SGXNet.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Koyo International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are as follows:

Foo Chek Heng
Foo Suay Wei
Yeo Guat Kwang
Serena Lee Chooi Li
Wong Loke Tan

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 32 to 33 of this statement.

4. Directors' interests in shares and debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of nominee			Holdings registered in name of director		
	At 21.01.2018	**At 31.12.2017**	**At 01.01.2017**	**At 21.01.2018**	**At 31.12.2017**	**At 01.01.2017**
Company (No. of ordinary shares)						
Foo Chek Heng	–	–	–	72,725,500	72,725,500	72,725,500
Yeo Guat Kwang	–	–	–	790,000	790,000	790,000
Serena Lee Chooi Li	1,500,000	1,500,000	1,500,000	–	–	–

Mr. Foo Chek Heng, who by virtue of his interest of not less than 20% of the issued capital of the Company is deemed to have an interest in the share capital of the Company's wholly owned subsidiaries.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. Share options

(a) Koyo International Employee Share Option Scheme 2011 (the "KSOS")

On 25 April 2011, shareholders approved the KSOS for the Group's employees, executive directors and non-executive directors who satisfy the eligibility criteria of the KSOS. The KSOS remains in force at the discretion of the KSOS Committee, subject to a maximum period of ten years. The KSOS is administered by the Remuneration Committee which comprises its Chairman, Serena Lee Chooi Li, and members, Wong Loke Tan and Yeo Guat Kwang.

Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at, the discretion of the Remuneration Committee, Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The Market Price is defined as the average of the closing prices of the Company's ordinary shares as quoted on the SGX-ST for three market days immediately preceding the date of the grant.

The exercise period of the options commences after two years from the date of grant of that option but before five years from the offer date of that option (in the case where the option is granted at a discount) while the exercise period for the options granted at Market Price commences one year from the date of grant of that option but before five years from the offer date of that option.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the KSOS, shall not exceed 15% of the issued share capital of the Company on the day preceding the date of the grant.

The KSOS became operative upon the Company granting options to subscribe for 5,165,000 ordinary shares and 400,000 ordinary shares of the Company on 15 December 2011 ("2011 Options") and 23 January 2013 ("2013 Options") respectively. Particulars of the 2011 Options and 2013 Options were set out in the Directors' statement for the financial years ended 31 December 2011 and 31 December 2013 respectively. The Company did not grant any options during the current financial year.

On 24 January 2018, 400,000 new ordinary shares were issued upon the exercise of options under 2013 Options.

5. Share options (cont'd)

(b) Share Options Outstanding

The number of unissued ordinary shares of the Company under option in relation to the KSOS outstanding at the end of the financial year was as follows:

		No. of Unissued Ordinary Shares under Options as at 31.12.2017					
Type of shares options	**Date of grant**	**Balance as at 1.1.2017**	**Granted**	**Exercised/ Lapsed**	**Balance as at 31.12.2017**	**Exercise price per share $**	**Exercise period**
2013 Options	January 2013	400,000	–	–	400,000	0.053	23.01.15 – 22.01.18
		400,000	–	–	400,000		

Details of the Options granted to directors and/or controlling shareholders and employees of the Company pursuant to the KSOS are as follows:

		No. of Unissued Ordinary Shares of the Company under Option					
Name of participants	**Exercise period**	**Options granted in the financial year 31.12.2017**	**Aggregate options granted since commencement of KSOS to 31.12.2017**	**Aggregate options exercised since commencement of KSOS to 31.12.2017**	**Aggregate options lapsed since commencement of KSOS to 31.12.2017**	**Aggregate options outstanding as at 31.12.2017**	**Exercise price $**
Foo Chek Heng – Executive director	2013 – 2016	–	2,865,000	(2,865,000)	–	–	0.04
Serena Lee Chooi Li – Non-executive director	2013 – 2016	–	500,000	–	(500,000)	–	0.04
Yeo Guat Kwang – Non-executive director	2013 – 2016	–	500,000	(500,000)	–	–	0.04
Key executives	2013 – 2016	–	800,000	(800,000)	–	–	0.04
Key executives	2015 – 2018	–	400,000	–	–	400,000	0.053
Lee Chen Chong – Former non-executive Chairman (Resigned on 1 January 2017)	2013 – 2016	–	500,000	(500,000)	–	–	0.04
Total		–	5,565,000	(4,665,000)	(500,000)	400,000	

(c) Options to take up unissued shares

Subsequent to 31 December 2017, there were 400,000 new ordinary shares of the Company issued by virtue of the exercise of options to take up unissued shares.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Audit committee

The Audit Committee (the "AC") comprises the following members:

Wong Loke Tan (Chairman) (Appointed on 23 February 2017)
Yeo Guat Kwang
Serena Lee Chooi Li

All members of the AC were non-executive and independent directors.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the AC reviews:

- The scope and the results of internal audit procedures with the internal auditor;
- The audit plan of the Company's independent external auditor and any recommendations on internal accounting controls arising from the statutory audit and the assistance given by the Company's management to the independent external auditors and internal auditors;
- The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group;
- The cost effectiveness and the independence and objectivity of the independent external auditor;
- Any interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC has recommended to the Board that the independent external auditor, RT LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

7. Independent auditor

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors

Foo Chek Heng
Director

Wong Loke Tan
Director

28 March 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Koyo International Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Construction contracts and facilities management The Group's revenue for the financial year ended 31 December 2017 comprises construction contracts and facilities management. For construction contracts, the stage of completion is measured by reference to the value of work done certified by the quantity surveyor. Similarly, for facilities management, the stage of completion is measured by reference to the value of work done as indicated in the work service order which is to be acknowledged/certified by the customers. Significant assumptions are used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists. The key assumptions to the estimate of total contract costs and the recoverable variation works are disclosed in Note 3.2(a).	Our audit procedures focused on evaluating management's assumptions used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. These procedures include: • Determining the stage of completion by verifying to the value of work done certified by the quantity surveyor and acknowledgment by the customers. • For quantity surveyor certification or acknowledgement by the customers not yet received due to unexpired defective liability period ("DLP") when the main contractors are not able to issue the certification of work done prior to end of DLP, for which management has recognised work done as revenue, we had assessed the impact of any over/under recognition of revenue. • This assessment is done by reviewing and comparing management past estimates of revenue recognition for both construction contracts and facilities management for which there were no certification by quantity surveyor or acknowledgment by the customers and compared it with the recognised revenue when the certification/acknowledgment were subsequently received. • Performed reasonableness test and assessed management sensitivity tests on the possibility of over or under accrual of revenue recognition.

Other Matters

(a) The Company has previously announced on 10 February 2016 that the Managing Director, Mr Foo Chek Heng ("Mr Foo") was being investigated by the Monetary Authority of Singapore and Commercial Affairs Department of the Singapore Police Force (collectively, the "Relevant Authorities") for possible contravention under section 197 of the Securities and Future Act (Cap. 289).

The Company's board of directors (the "Board") was informed that Mr Foo had been interviewed by the Relevant Authorities and that he had handed over to them his travel documents as well as certain devices and documents. Mr Foo informed the Board that he disputed the allegation by the Relevant Authorities and that he would fully cooperate with them in their investigation.

We were also informed by Mr Foo that his travel documents had since been unconditionally returned to him on 15 March 2016. The Board emphasised that the business and operations of the Company would not be affected in any way by this investigation and would continue as normal.

As part of current year audit procedures, we had similar to our prior year audit, sent a confirmation on 12 February 2018 to the Relevant Authorities to enquire about the status of the investigation. As at the date of this Auditor's Report, we have yet to receive any reply from the Relevant Authorities.

The Board is of the view that the business and operations of the Company would not be affected in any way by whatever outcome from the Relevant Authorities, if any.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

(a) Chairman and CEO's message;

(b) Business Overview;

(c) Performance Review;

(d) Five-Year Financial Summary;

(e) Corporate Structure;

(f) Corporate Profile;

(g) Board of Directors;

(h) Key Management Team;

(i) Corporate Governance;

(j) Statistics of Shareholdings;

(k) Notice of Annual General Meeting;

(l) Appendix – Proposed Renewal of the Share Buyback Mandate; and

(m) Proxy Form – AGM

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	**15,825**	15,125
Cost of construction		**(11,016)**	(10,275)
Gross profit		**4,809**	4,850
Other income	7	**174**	207
Expenses			
– Selling and distribution		**(110)**	(97)
– Administrative		**(4,046)**	(4,004)
– Other operating		**(107)**	(157)
– Finance expenses		**(1)**	–
Profit before income tax		**719**	799
Income tax expense	8	**(29)**	(64)
Net profit		**690**	735
Other comprehensive profit/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value losses	19(b)(ii)	**(1)**	(4)
– Reclassification	19(b)(ii)	**63**	–
Other comprehensive profit/(loss), net of tax		**62**	(4)
Total comprehensive income		**752**	731
Profit attributable to:			
Equity holders of the Company		**690**	735
Total comprehensive income attributable to:			
Equity holders of the Company		**752**	731
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	9(a)	**0.36**	0.40
– Diluted	9(b)	**0.36**	0.39

The accompanying notes form an integral part of these financial statements.

BALANCE ***SHEETS***

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and bank balances	10	**17,567**	15,638	**1,918**	1,839
Trade and other receivables	12	**6,708**	5,812	**30**	3
		24,275	21,450	**1,948**	1,842
Non-current assets					
Available-for-sale financial assets	11	**27**	28	**–**	–
Investments in subsidiaries	14	**–**	–	**27,950**	27,950
Property, plant and equipment	15	**360**	92	**–**	–
		387	120	**27,950**	27,950
Total assets		**24,662**	21,570	**29,898**	29,792
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	17	**23**	–	**–**	–
Current liabilities					
Trade and other payables	16	**5,967**	3,494	**1,113**	1,035
Finance lease liabilities	17	**47**	–	**–**	–
Current income tax liabilities		**44**	57	**–**	–
		6,058	3,551	**1,113**	1,035
Total liabilities		**6,081**	3,551	**1,113**	1,035
NET ASSETS		**18,581**	18,019	**28,785**	28,757
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18(a)	**4,449**	4,449	**40,044**	40,044
Treasury shares	18(b)	**(630)**	(630)	**(630)**	(630)
Other reserves	19	**(186)**	(248)	**7**	7
Retained profits/(accumulated losses)	20	**14,948**	14,448	**(10,636)**	(10,664)
Total equity		**18,581**	18,019	**28,785**	28,757

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to equity holders of the Company				
		Share capital $'000	**Treasury shares S$'000**	**Other reserves $'000**	**Retained profits $'000**	**Total equity $'000**
2017						
At 1 January		**4,449**	**(630)**	**(248)**	**14,448**	**18,019**
Profit for the year		**–**	**–**	**–**	**690**	**690**
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets		**–**	**–**	**62**	**–**	**62**
Total comprehensive income for the year		**4,449**	**(630)**	**(186)**	**15,138**	**18,771**
Contribution by and distributions to owners						
Dividends	21	**–**	**–**	**–**	**(190)**	**(190)**
Total contributions by and distributions to owners in their capacity as owners		**–**	**–**	**–**	**(190)**	**(190)**
At 31 December		**4,449**	**(630)**	**(186)**	**14,948**	**18,581**
2016						
At 1 January		4,199	–	(150)	13,981	18,030
Profit for the year		–	–	–	735	735
Other comprehensive income						
Net loss on fair value changes of available-for-sale financial assets		–	–	(4)	–	(4)
Total comprehensive income for the year		4,199	–	(154)	14,716	18,761
Contribution by and distributions to owners						
Purchase of treasury shares	18(b)	–	(630)	–	–	(630)
Dividends	21	–	–	–	(278)	(278)
Employee share option reserve – reversal for share options lapsed	19(b)(i)	–	–	(10)	10	–
Issuance of share on exercise of share options	18(a), 19(b)(i)	250	–	(84)	–	166
Total contributions by and distributions to owners representing total transactions with owners in their capacity as owners		250	(630)	(94)	(268)	(742)
At 31 December		4,449	(630)	(248)	14,448	18,019

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Net profit		**690**	735
Adjustments for:			
– Income tax expense	8	**29**	64
– Depreciation of property, plant and equipment	5	**175**	55
– Allowance for impairment of trade receivables	5	**–**	118
– Impairment loss on available-for-sales financial assets		**63**	–
– Interest expenses		**1**	–
– Interest income	7	**(132)**	(113)
		826	859
Change in working capital:			
– Trade and other receivables		**(888)**	1,833
– Trade and other payables		**2,473**	(644)
Cash generated from operations		**2,411**	2,048
Income tax paid		**(42)**	(118)
Net cash generated from operating activities		**2,369**	1,930
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(343)**	(51)
Interest received		**124**	108
Net cash (used in)/generated from investing activities		**(219)**	57
Cash flows from financing activities			
Secured bank deposits released by/(pledged to) banks		**106**	(5)
Issuance of shares upon exercise of share options		**–**	166
Purchase of treasury shares	18(b)	**–**	(630)
Interest paid		**(1)**	–
Repayment of finance lease liabilities		**(30)**	–
Dividends paid to equity holders of the Company	21	**(190)**	(278)
Net cash used in financing activities		**(115)**	(747)
Net increase in cash and cash equivalents		**2,035**	1,240
Cash and cash equivalents at 1 January		**14,931**	13,691
Cash and cash equivalents at 31 December	10	**16,966**	14,931

Non-cash transaction:

During the financial year ended 31 December 2017, the Group acquired plant and equipment with an aggregate cash of $443,000 (2016: $51,000), of which $100,000 (2016: nil) was acquired under finance leases and the remaining $343,000 (2016: $51,000) via cash payment.

Reconciliation of liabilities arising from financing activities

	1 January 2017 $'000	Principal and interest $'000	Non-cash changes: Acquisition $'000	Non-cash changes: Interest expense $'000	31 December 2017 $'000
Lease liabilities	–	(31)	100	1	70

The accompanying notes form an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

Koyo International Limited (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 53 Ubi Avenue 3, #02-01, Singapore 408863.

The principal activities of the Company are those of investment holding and business of providing integrated mechanical and electrical engineering (M&E) services.

The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 *Statement of cash flows (Disclosure initiative)* sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flow.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

2. Significant accounting policies (Continued)

2.2 Revenue recognition (Continued)

(a) *Contract revenue from:*

(i) *Construction contracts*

Revenue from construction contracts are recognised using the percentage-of-completion method. The percentage-of-completion is measured by reference to the stage of completion of the contract activity at the end of each reporting period.

(ii) *Facilities management*

Revenue from the provision of services is recognised upon the performance of service rendered to the customer and or over the duration of the facilities management contracts.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.4 Group accounting (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

Non-controlling interests comprise the portion of a subsidiaries' net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiaries, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiaries or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiaries measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiaries, the assets and liabilities of the subsidiaries including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2. Significant accounting policies (Continued)

2.4 Group accounting (Continued)

(b) Reverse acquisition

The acquisition of the Acquired Group (Note 18) has been accounted for as a reverse acquisition and the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the Group's balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are those of the Acquired Group's consolidated financial statements.

Since such consolidated financial statements represent a continuation of the Acquired Group:

(i) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated balance sheet at their pre-acquisition carrying amount and assets and liabilities of the Company are recognised at their fair values;

(ii) the retained profits and other equity balances (except for share capital) recognised in those consolidated financial statements are those of the Acquired Group immediately before the acquisition;

(iii) the amount recognised as issued equity instruments in those consolidated financial statements is the issued equity of the Acquired Group immediately before the acquisition plus the costs of the acquisition calculated from the perspective of the Company. However, the equity structure appearing on those consolidated financial statements (i.e the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to reflect the combination;

(iv) consolidated financial statements prepared following a reverse acquisition shall reflect the fair value of the assets, liabilities and contingent liabilities of the Company. Therefore the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Company that satisfy the recognition criteria. The excess of the cost of the combination over the Acquired Group's interest in the net fair value is recognised as goodwill.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Computers	1 year
Office equipment and tools	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Renovation	5 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.6 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the value of work done certified by the quantity surveyor. Costs incurred during the financial year in connection with future activity on a contract are shown as construction work-in-progress on the balance sheets unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

2. Significant accounting policies (Continued)

2.6 Construction contracts (Continued)

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "Trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "Trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "Trade and other receivables". Advances received are included within "Trade and other payables".

2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiaries

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs of disposal and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.9 Financial assets

(a) Classification

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition at the end of each reporting period.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables (excluding prepayment)" (Note 12) and "Cash and bank balances" (Note 10) on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (Continued)

2.9 Financial assets (Continued)

(d) Subsequent measurement (Continued)

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale financial assets, objective evidence of impairment includes:

(i) significant financial difficulty of the issuer or obligor;

(ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investments in equity instruments may not be recovered; and

(iii) a significant or prolonged decline in the fair value of the investments below its costs.

"Significant" is to be evaluated against the original cost of the investments and "prolonged" against the period in which the fair value has been below its original cost.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings facilities of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries were to utilise these borrowing facilities and fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices on the last working day of the financial year. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

When the Group is the lessee:

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

2. Significant accounting policies (Continued)

2.14 Leases (Continued)

Lessee – Finance leases (Continued)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.15 Income taxes (Continued)

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.16 Provisions for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

2.17 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued to the employees.

(c) *Employees leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2. Significant accounting policies (Continued)

2.17 Employee compensation (Continued)

(d) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit before income tax. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.18 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "Other income", if any.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value less the portion that are pledged as securities for the banking facilities of the Group.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (Continued)

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.22 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2 to the financial statements, management had made the following judgements, apart from those involving estimate, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Available-for-sale financial asset

The Group will record impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Based on management's assessment, management continues to believe that there is no significant or prolonged decline in the fair value of the available-for-sale financial assets below their costs, notwithstanding the following:

(i) the decline in fair values below costs were in excess of 88%;

(ii) the decline in fair value below costs had persisted for more than 5 years;

(iii) at no time during the past 5 years had the share price exceeded the acquisition costs.

3. Critical accounting estimates, assumptions and judgements (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimated uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(a) *Construction contracts*

The stage of completion is measured by reference to the value of work done certified by the quantity surveyor.

Significant assumptions are used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the revenue on uncompleted contracts at the end of the reporting period had been higher/lower by 5% from management's estimates, the Group's profit would have been higher/lower by $1,085,000 (2016: $510,000).

If the contract costs of uncompleted contracts at the end of the reporting period to be incurred had been higher/lower by 5% from management's estimates, the Group's profit would have been lower/higher by $930,000 (2016: $329,000).

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

As at 31 December 2017, management has made adequate allowance for impairment of trade receivables of $2,169,000 (2016: $2,176,000). The carrying amounts of trade receivables at the end of the reporting period was $6,259,000 (2016: $5,556,000).

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group would have been lower/higher by $217,000 (2016: $218,000).

NOTES TO THE FINANCIAL STATEMENTS

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4. Revenue

	Group 2017 $'000	Group 2016 $'000
Construction contracts	**8,522**	9,011
Facilities management	**7,303**	6,114
	15,825	15,125

5. Expenses by nature

	Group 2017 $'000	Group 2016 $'000
Fees on audit services paid/payable to:		
– auditor of the Company	**40**	40
– ex-auditors of the Company – under provision in prior year	**–**	19
– fee for internal audit	**–**	6
Purchases of construction material	**4,356**	2,634
Subcontractor charges	**5,516**	6,455
Consultant and agent fees	**–**	15
Depreciation of property, plant and equipment (Note 15)	**175**	55
Allowance for impairment of trade receivables [Note 24(b)(ii)]	**–**	118
Employee compensation (Note 6)	**4,201**	4,178
Impairment loss on available-for-sale financial assets	**63**	–
Professional fee	**101**	158
Rental expense on operating leases	**288**	297
Upkeep of motor vehicles and transportation	**140**	147
Other	**400**	411
Total cost of construction, selling and distribution, administrative and other operating expenses	**15,280**	14,533

6. Employee compensation

	Group 2017 $'000	Group 2016 $'000
Wages, salaries and short-term employee benefits	**4,055**	4,029
Employer's contribution to Central Provident Fund	**146**	149
	4,201	4,178

7. Other income

	Group 2017 $'000	Group 2016 $'000
Interest income		
– Bank deposits	**132**	113
Government grant		
– Special Employment Credit ("SEC")(1)	**4**	6
– Temporary Employment Credit ("TEC")(2)	**9**	13
– Wage credit from IRAS(3)	**3**	24
Allowance for impairment of trade receivables written back [Note 24b(ii)]	**7**	–
Sales of scrap materials	**1**	37
Other	**19**	14
	174	207

(1) As announced in Budget 2011, businesses that provide continuing support to hire older Singaporean workers and Persons with Disabilities (PWDs) will receive payouts under the Special Employment Credit (SEC) to support employers, and to raise the employability of older low-wage Singaporeans.

(2) As announced in Budget 2014, the Temporary Employment Credit (TEC) will help the employer adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, the employer will receive a one-year offset of 0.5% of wages for Singaporean and Singapore Permanent Resident (PR) employees in 2015.

(3) As announced in Budget 2013, businesses will receive wage credit payouts under the Wage Credit Scheme (WCS) to free up resources to make investments in productivity and to share the productivity gains with their employees.

8. Income tax expense

(a) Income tax expense

	Group 2017 $'000	Group 2016 $'000
Tax expense attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax	**4**	58
– Underprovision in prior financial years		
Current income tax	**25**	6
	29	64

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Income tax expense (Continued)

(a) Income tax expense (Continued)

The tax on Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017 $'000	2016 $'000
Profit before income tax	**719**	799
Tax calculated at tax rate of 17% (2016: 17%)	**122**	136
Effects of:		
– expenses not deductible for tax purposes	**2**	18
– income not subject to tax	**–**	(1)
– Singapore stepped income exemption	**(13)**	(28)
– tax incentives	**(102)**	(67)
– underprovision in prior financial year	**25**	6
– other	**(5)**	–
– tax charge	**29**	64

(b) Deferred income taxes

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Company has unrecognised tax losses of $988,000 (2016: $988,000) at the end of the reporting period which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

9. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares which has no voting rights) during the financial year.

	Group	
	2017	2016
Net profit attributable to equity holders of the Company ($'000)	**690**	735
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**189,423**	186,128
Basic earnings per share (cents per share)	**0.36**	0.40

9. Earnings per share (Continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares in respect of share options granted.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2017	**2016**
Net profit attributable to equity holders of the Company ($'000)	**690**	735
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**189,423**	186,128
Adjustments for ('000)		
– Share options	**400**	400
	189,823	186,528
Diluted earnings per share (cents per share)	**0.36**	0.39

10. Cash and bank balances

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	**1**	2	**–**	–
Cash at bank	**8,356**	8,613	**1,918**	1,839
Short-term bank deposits	**9,210**	7,023	**–**	–
	17,567	15,638	**1,918**	1,839

Short-term bank deposits of $601,000 (2016: $707,000) are pledged to banks as securities for the banking facilities of the Group. The short-term bank deposits are made for varying periods of between twelve months and eighteen months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

In addition, the Company provides corporate guarantee for banking facilities of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Cash and bank balances (Continued)

For the purpose of presenting the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Cash and bank balances (as above)	**17,567**	15,638
Less: Bank deposits pledged	**(601)**	(707)
Cash and cash equivalents in consolidated statement of cash flows	**16,966**	14,931

11. Available-for-sale financial assets

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	**28**	32
Fair value losses recognised in other comprehensive income [Note 19(b)(ii)]	**(1)**	(4)
At 31 December	**27**	28
Available-for-sale financial assets are analysed as follows:		
Listed securities		
– equity securities – Singapore	**27**	28

12. Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Non-related parties	**4,466**	3,624	**–**	–
– Related parties	**–**	–	**8**	–
Less: Allowance for impairment of receivables				
– non-related parties [Note 24(b)(ii)]	**(1,105)**	(1,112)	**–**	–
Trade receivables – net	**3,361**	2,512	**8**	–
Construction contracts				
– Due from customers (Note 13)	**3,131**	3,065	**–**	–
– Retentions (Note 13)	**831**	1,043	**–**	–
	3,962	4,108	**–**	–
Less: Allowance for impairment of receivable				
– non-related parties [Note 24(b)(ii)]	**(1,064)**	(1,064)	**–**	–
Construction contracts – net	**2,898**	3,044	**–**	–
Other receivables				
– Non-related parties	**162**	159	**–**	–
Refundable deposits	**242**	67	**19**	–
Prepayments	**45**	30	**3**	3
	6,708	5,812	**30**	3

13. Construction contracts

	Group 2017 $'000	Group 2016 $'000
Construction contract work-in-progress:		
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**18,530**	23,444
Less: Progress billings	**(16,675)**	(20,379)
	1,855	3,065
Presented as:		
Due from customers on construction contracts (Note 12)	**3,131**	3,065
Due to customers on construction contracts (Note 16)	**(1,276)**	–
	1,855	3,065
Retentions on construction contracts (Note 12)	**831**	1,043

14. Investments in subsidiaries

	Company 2017 $'000	Company 2016 $'000
Equity investments at cost		
At 1 January and 31 December	**27,950**	27,950

The Group had the following subsidiaries as at 31 December 2017 and 2016:

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2017 %	Proportion of ordinary shares held by the Group 2016 %
Held by the Company				
Koyo Engineering (S.E. Asia) Pte. Ltd.(1)	Providing integrated mechanical and electrical engineering (M&E) services and facilities management services	Singapore	**100**	100
AVSC Technologies Pte. Ltd.(1)	– Supply of essential construction materials, including but not limited to reclamation sand, construction sand, amour rock, granite and other aggregates – Supply and installation of audio, video and security and communication systems	Singapore	**100**	100
Held by Koyo Engineering (S.E. Asia) Pte. Ltd.				
Koyo M&E Pte. Ltd.(1)	Engineering contract works	Singapore	**100**	100
Koyo Eco Pte. Ltd.(1)	Environmental engineering work	Singapore	**100**	100

(1) Audited by RT LLP

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. Property, plant and equipment

Group 2017	Computers $'000	Office equipment and tools $'000	Furniture and fittings $'000	Motor vehicles $'000	Renovation $'000	Total $'000
Cost						
At 1 January	**121**	**122**	**104**	**661**	**4**	**1,012**
Additions	**89**	**69**	**1**	**284**	**–**	**443**
Disposal	**–**	**–**	**–**	**(149)**	**–**	**(149)**
At 31 December	**210**	**191**	**105**	**796**	**4**	**1,306**
Accumulated depreciation						
At 1 January	**121**	**95**	**90**	**610**	**4**	**920**
Depreciation charge (Note 5)	**89**	**14**	**12**	**60**	**–**	**175**
Disposal	**–**	**–**	**–**	**(149)**	**–**	**(149)**
At 31 December	**210**	**109**	**102**	**521**	**4**	**946**
Carrying amount	**–**	**82**	**3**	**275**	**–**	**360**
2016						
Cost						
At 1 January	121	95	102	639	4	961
Additions	–	27	2	22	–	51
At 31 December	121	122	104	661	4	1,012
Accumulated depreciation						
At 1 January	121	89	78	574	3	865
Depreciation charge (Note 5)	–	6	12	36	1	55
At 31 December	121	95	90	610	4	920
Carrying amount	–	27	14	51	–	92

Company	2017 Motor vehicles $'000	2016 Motor vehicles $'000
Cost		
At 1 January and 31 December	**203**	203
Accumulated depreciation		
At 1 January and 31 December	**203**	203
Carrying amount	**–**	–

Included in additions of the Group are motor vehicles acquired under finance lease (Note 17) which amounted to approximately $215,000 (2016: Nil). This additional is partially paid by cash of $115,000 while the remaining $100,000 is through finance lease arrangement.

As at 31 December 2017, the Group has motor vehicles partially acquired under finance lease with a carrying amount of $194,000 (2016: $Nil).

Leased assets are pledged as security for the related finance lease liabilities.

16. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Non-related parties	**3,602**	2,486	**(2)**	3
– Due to customers (Note 13)	**1,276**	–	**–**	–
Other payables				
– Non-related parties	**71**	76	**–**	–
– Subsidiary	**–**	–	**770**	770
Accruals for operating expenses	**1,018**	932	**345**	262
	5,967	3,494	**1,113**	1,035

The non-trade amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Accruals for operating expenses include costs accrued for projects of $110,000 (2016: $101,000) at the end of the reporting period.

17. Finance Lease Liabilities

	Group	
	2017	**2016**
	$'000	**$'000**
Current	**47**	–
Non-current	**23**	–
	70	–

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follow:

	Group		Group	
	2017	**2017**	**2016**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
	Minimum lease payments	**Present Value of payments**	**Minimum lease payments**	**Present Value of payments**
Current				
Not later than 1 year	**50**	**47**	–	–
Non-current				
Between 1 and 5 years	**24**	**23**	–	–
	74	**70**	–	–
Less: Amounts representing finance charges	**(4)**	**–**	–	–
Present value of minimum lease payments	**70**	**70**	–	–

Finance leases are in respect of motor vehicles (2016: Nil).

Finance lease liabilities for the Company at the end of the reporting period is $70,000 (2016: $Nil).

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Share capital and treasury shares

a) Share capital

	2017		2016	
	No. of share ’000	**$’000**	**No. of shares ’000**	**$’000**
Group				
Issued and fully paid ordinary shares				
At 1 January	**195,724**	**4,449**	191,559	4,199
Exercise of employee share options [Note 18(c)]	**–**	**–**	4,165	250
At 31 December	**195,724**	**4,449**	195,724	4,449
Company				
Issued and fully paid ordinary shares				
At 1 January	**195,724**	**40,044**	191,559	39,794
Exercise of employee share options [Note 18(c)]	**–**	**–**	4,165	250
At 31 December	**195,724**	**40,044**	195,724	40,044

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

In 2016, the Company issued 4,165,000 ordinary shares for a total consideration of $166,000 for cash via exercise of the Share Option Scheme 2011.

Reverse acquisition

At Group level

The acquisition of Koyo Engineering (S.E. Asia) Pte. Ltd. (“Koyo Engineering”) in 2009 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Koyo Engineering, which is the legal subsidiary the (“Acquired Group”) is considered the acquirer for accounting purposes. Accordingly, the balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group have been prepared as a continuation of Koyo Engineering’s financial statements, in accordance with the Group accounting policies as described in Note 2.4(b).

18. Share capital and treasury shares (Continued)

b) Treasury shares

	Group and Company			
	2017		**2016**	
	No. of shares ’000	**$’000**	**No. of shares ’000**	**$’000**
At 1 January	**(6,300)**	**(630)**	–	–
Acquired during the year	**–**	**–**	(6,300)	(630)
At 31 December	**(6,300)**	**(630)**	(6,300)	(630)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

c) Share options – Koyo International Employee Share Option Scheme 2011 (the “KSOS”)

On 25 April 2011, shareholders approved the KSOS for the Group’s employees, executive directors and non-executive directors who satisfy the eligibility criteria of the KSOS. The KSOS remains in force at the discretion of the KSOS Committee, subject to a maximum period of ten years. The KSOS is administered by the Remuneration Committee which comprises its Chairman, Serena Lee Chooi Li, and members, Wong Loke Tan and Yeo Guat Kwang.

Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at, the discretion of the Remuneration Committee, Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The market price (“**Market Price**”) is defined as the average of the closing prices of the Company’s ordinary shares as quoted on the SGX-ST for three market days immediately preceding the date of the grant.

The exercise period of the options commences after two years from the date of grant of that option but before five years from the offer date of that option (in the case where the option is granted at a discount) while the exercise period for the options granted at Market Price commences one year from the date of grant of that option but before five years from the offer date of that option.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the KSOS, shall not exceed 15% of the issued share capital of the Company on the day preceding the date of the grant.

The KSOS became operative upon the Company granting options to subscribe for 5,165,000 ordinary shares and 400,000 ordinary shares of the Company on 15 December 2011 (“**2011 Options**”) and 23 January 2013 (“**2013 Options**”) respectively. The Company did not grant any options during the financial year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Share capital and treasury shares (Continued)

c) Share options (Continued)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

	No. of Ordinary Shares under Options						
	Balance as at 1.1.2017	**Granted during financial year**	**Lapsed during financial year**	**Exercised during financial year**	**Balance as at 31.12.2017**	**Exercise price**	**Exercise period**
Group and Company							
2017							
2013 Options	**400,000**	**–**	**–**	**–**	**400,000**	**$0.053**	**23.01.15 – 22.01.18**
	400,000	**–**	**–**	**–**	**400,000**		
	Balance as at 1.1.2016	**Granted during financial year**	**Lapsed during financial year**	**Exercised during financial year**	**Balance as at 31.12.2016**		
2016							
2011 Options	4,665,000	–	(500,000)	(4,165,000)	–	$0.04	15.12.13 – 14.12.16
2013 Options	400,000	–	–	–	400,000	$0.053	23.01.15 – 22.01.18
	5,065,000	–	(500,000)	(4,165,000)	400,000		

The unexercised options of 400,000 (2016: 400,000) shares, are exercisable at the end of reporting period.

Subsequent to 31 December 2017, there were 400,000 new ordinary shares of the Company issued by virtue of the exercise of options to take up unissued shares.

18. Share capital and treasury shares (Continued)

c) Share options (Continued)

The fair value of share options which is to be recognised over the vesting period, was determined using the Black Scholes Valuation Model, taking into account the terms and conditions upon which the options were granted. The fair values and the inputs to the model used are shown below:

	2013 Options $'000	2011 Options $'000
Fair value of share options	8	103
Expected volatility (%)	58.46	39.3
Risk-free interest rate (%)	0.30	0.58
Expected life (years)	5	5
Weighted average share price ($)	0.068	0.05
Weighted average exercise price ($)	0.053	0.04
Expected dividend yield (%)	8.82	Nil

The volatility is measured as the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

19. Other reserves

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a) Composition:				
Employee share option reserve	**7**	7	**7**	7
Fair value reserve	**(191)**	(253)	**–**	–
Premium paid on acquisition of non-controlling interests	**(2)**	(2)	**–**	–
	(186)	(248)	**7**	7
(b) Movements:				
(i) Employee share option reserve				
At 1 January	**7**	101	**7**	101
Issuance of shares on exercise of share options	**–**	(84)	**–**	(84)
Reversal for share options lapsed	**–**	(10)	**–**	(10)
At 31 December	**7**	7	**7**	7
(ii) Fair value reserve				
At 1 January	**(253)**	(249)	**–**	–
Available-for-sale financial assets				
– Fair value losses (Note 11)	**(1)**	(4)	**–**	–
– Reclassification	**63**	–	**–**	–
At 31 December	**(191)**	(253)	**–**	–
(iii) Premium paid on acquisition of non-controlling interests				
At 1 January and 31 December	**(2)**	(2)	**–**	–

Other reserves are non-distributable.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19. Other reserves (Continued)

i) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees [Note 18(c)]. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

ii) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

iii) Premium paid on acquisition of non-controlling interests

The reserve represents the difference between the fair value of the consideration paid on acquisition of non-controlling interests and the carrying value of the additional interests acquired.

20. Retained profits/(accumulated losses)

(a) Retained profits of the Group are distributable.

(b) Movement in accumulated losses for the Company is as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
At 1 January	**(10,664)**	(10,601)
Net profit	**218**	205
Employee share option reserve – reversal of share options lapsed	**–**	10
Dividends paid (Note 21)	**(190)**	(278)
At 31 December	**(10,636)**	(10,664)

21. Dividends

	Group	
	2017	**2016**
	$'000	**$'000**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 0.10 cents per share (2016: 0.15 cents per shares)	**190**	278

At the forthcoming Annual General Meeting on 27 April 2018, a final dividend of 0.10 cents per share amounting to approximately $190,000 will be recommended. These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

22. Contingencies

Company

The Company has issued corporate guarantees amounting to $2.0 million (2016: $3.1 million) to banks for banking facilities of its subsidiaries. These banking facilities of the subsidiaries utilised amounted to nil (2016: $5,000) as at the end of the reporting date.

The Company has evaluated both the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regard to the subsidiaries and are of the opinion that they are minimal. The subsidiaries for which the guarantees were provided are in favourable equity positions and are profitable, with no default in the payment of borrowings and credit facilities.

23. Operating lease commitments

The Group leases office spaces and workers' dormitories space lodgings under non-cancellable operating lease agreements. These leases have an average tenure of between one to three years with a renewal option or contingent rent provision included in the contracts.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**135**	268
Between one year and five years	**224**	122
	359	390

24. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies seek to ensure that adequate financial resources are available for the Group's business whilst managing its market risk, credit risk, liquidity risk and capital risk.

(a) Market risk

(i) Currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Group's and the Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. Financial risk management (Continued)

Financial risks factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity price risk arising from its investments in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as available-for-sales financial assets. To manage its price risk arising from its investments in equity securities, the Group diversifies its portfolio across different markets and industries, where appropriate.

If prices for equity securities changed by 10% (2016: 10%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income will not be significant.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade and other receivables, the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history to mitigate credit risk. Bank deposits are mainly placed with financial institution which have high credit ratings.

The Group manages credit risk by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty.

The Group and the Company do not hold any collateral from its customers. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiaries' banking facilities	**2,000**	3,100

As at end of reporting period, banking facilities utilised by the subsidiary to which the Company has provided a corporate guarantee is nil (2016: $5,000).

The trade receivables of the Group comprise 5 debtor (2016: two debtors) that individually represented 83% (2016: 10%) of trade receivables.

24. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The credit risk for trade receivables (net of allowance for impairment), construction contracts due from customers and retention sums receivable, based on the information provided to key management is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
By types of customers				
– Non-related parties	**6,259**	5,556	**–**	–

All customers are located in Singapore.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables, construction contracts due from customers and retention sums receivable that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Past due less than 3 months	**754**	1,978	**–**	–
Past due 3 to 6 months	**134**	14	**–**	–
Past due over 6 months	**226**	256	**–**	–
	1,114	2,248	**–**	–

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Financial assets that are past due and/or impaired (Continued)*

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Trade receivables – gross amount	**1,105**	1,112
Less: Allowance for impairment (Note 12)	**(1,105)**	(1,112)
	–	–
Construction contracts:		
– Due from customers – gross amount	**767**	767
– Retentions – gross amount	**297**	297
	1,064	1,064
Less: Allowance for impairment (Note 12)	**(1,064)**	(1,064)
	–	–
Total	**–**	–
At 1 January	**2,176**	2,176
Allowance made (Note 5)	**–**	118
Allowance utilised	**–**	(118)
Allowance written back (Note 7)	**(7)**	–
At 31 December	**2,169**	2,176

The impaired trade receivables, due from customers and retentions of the Group mainly relate to customers that are in financial difficulties and whose payments are not forthcoming.

The Group believes that the trade receivables that are past due but not impaired are collectible, based on historical payment behaviour and credit-worthiness of the customers.

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and bank balances to enable them to meet their normal operating commitments having adequate amount of committed credit facilities. At the end of reporting date, assets held by the Group and the Company for managing liquidity risk included cash at banks and short-term deposits as disclosed in Note 10.

The table below analyses the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

24. Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year $'000	Between 1 and 5 years $'000	Total $'000
Group			
At 31 December 2017			
Trade and other payables	**5,967**	**–**	**5,967**
Finance lease liabilities	**47**	**23**	**70**
At 31 December 2016			
Trade and other payables	3,494	–	3,494
Finance lease liabilities	–	–	–
Company			
At 31 December 2017			
Trade and other payables	**1,113**	**–**	**1,113**
Financial guarantee contracts	**–**	**–**	**–**
At 31 December 2016			
Trade and other payables	1,035	–	1,035
Financial guarantee contracts	5	–	5

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group comprise issued share capital and retained profits. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain borrowings or sell assets to increase the working capital. No changes were made in the objectives, policies or procedures during the financial years ended 31 December 2017 and 31 December 2016.

Management monitors capital based on the financial position of the Group and the Company. The Group has positive net assets and maintain low bank borrowings. Future decisions to raise capital and funds will be made with the objective to maintain positive working capital structure.

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net assets	**18,581**	18,019	**28,785**	28,757

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2017 and 2016. The Group's overall strategy remains unchanged from 2016.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measure hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Group Level 1 $'000
Available-for-sale financial assets	
2017	**27**
2016	**28**

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

The carrying amount less allowance for impairment of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 11 to the financial statements, except for the following:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and receivables	**24,230**	21,420	**1,945**	1,839
Financial liabilities at amortised cost	**6,037**	3,494	**1,113**	1,035

25. Related party transactions

No transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements.

(a) Outstanding balances as at 31 December 2017, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from the end of reporting period are disclosed in Notes 12 and 16 to the financial statements.

(b) Key management remuneration

The key management remuneration representing directors' and other key management personnel's are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Directors' fees	**120**	135
Salaries and short-term employee benefits	**2,074**	1,947
Employer's contribution to Central Provident Fund	**137**	142
	2,331	2,224

The above includes total remuneration to directors of the Company and its subsidiaries amounting to $1,373,000 (2016: $1,296,000).

26. Segment information

The Board of Directors has determined the operating segments based on geographic and business segment perspective. The Board of Directors comprise of Executive and Non-Executive Directors.

Geographically, all the Group's operations are located in Singapore.

The Group is organised into three operating divisions – Mechanical Engineering, Electrical Engineering and Facilities Management.

The principal services of each of these divisions are as follows:

(i) Mechanical Engineering – design and install air-conditioning and mechanical ventilation, plumbing and sanitary installation, fire prevention and protection system as well as integrated systems.

(ii) Electrical Engineering – design and install high and low tension electrical distribution systems, as well as communications, audio-visual and securities systems.

(iii) Facilities Management – provide maintenance, repair and replacement services for commercial buildings, hotels, schools and universities.

NOTES TO THE ***FINANCIAL STATEMENTS***

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. Segment information (Continued)

The segment information provided to the Board of Directors for the reportable segments are as follows:

	Mechanical Engineering $'000	Electrical Engineering $'000	Facilities Management $'000	Total $'000
2017				
Revenue				
Revenue from external parties	**8,116**	**406**	**7,303**	**15,825**
Gross profit	**2,132**	**322**	**2,355**	**4,809**
Segment assets	**4,647**	**159**	**1,448**	**6,254**
Segment liabilities	**3,055**	**39**	**1,592**	**4,686**
2016				
Revenue				
Revenue from external parties	8,768	243	6,114	15,125
Gross profit	3,178	223	1,449	4,850
Segment assets	4,046	237	1,263	5,546
Segment liabilities	1,298	26	1,007	2,331

Revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on gross profit. This measurement basis excludes other income, operating expenses and finance expenses from the operating segments.

(a) A reconciliation of gross profit to profit before income tax is provided as below:

	Group 2017 $'000	Group 2016 $'000
Gross profit for reportable segments	**4,809**	4,850
Other income	**174**	207
Selling and distribution expenses	**(110)**	(97)
Administrative expenses	**(4,046)**	(4,004)
Other operating expenses	**(107)**	(157)
Finance expenses	**(1)**	–
Profit before income tax	**719**	799

26. Segment information (Continued)

(b) Reportable segments' assets are reconciled to total assets as follows:

The amounts reported to the Board of Directors with respect to the total assets are measured in a manner consistent with that of the financial statements. Segment assets comprise mainly trade receivables but do not include cash and bank balances, other receivables, available-for-sale financial assets and property, plant and equipment.

	Group	
	2017	**2016**
	$'000	**$'000**
Segments' assets for reportable segments	**6,254**	5,546
Other assets		
Unallocated:		
Cash and bank balances	**17,567**	15,638
Other receivables	**454**	266
Available-for-sale financial assets	**27**	28
Property, plant and equipment	**360**	92
	24,662	21,570

(c) Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts reported to the Board of Directors with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Segment liabilities comprise mainly trade payables but do not include other payables, current income tax liabilities and finance lease liabilities.

	Group	
	2017	**2016**
	$'000	**$'000**
Segments' liabilities for reportable segments	**4,686**	2,331
Other liabilities		
Unallocated:		
Other payables	**1,281**	1,163
Finance lease liabilities	**70**	–
Current income tax liabilities	**44**	57
	6,081	3,551

The Group is headquartered and only has operations in Singapore. Accordingly, no geographical segment information is presented.

Revenue of approximately $9,806,000 (2016: $8,146,000) are derived from four external customers (2016: two). This revenue is attributable to the mechanical engineering segment & facilities management segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)), Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I), and International Financial Reporting Standards issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRSs.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 F*irst-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new SFRS(I)s which are relevant to the Group are effective from the following dates:

Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers
- Classification and Measurement of Share Based Payment Transactions (Amendments to SFRS(I) 2)

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 Leases

Management anticipates that the adoption of the above SFRS(I)s in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for SFRS(I) 9, SFRS(I) 15, and SFRS(I) 16. Currently management is still assessing the impact of SFRS(I) 9, SFRS(I) 15, and SFRS(I) 16 but does not expect these to have any significant impact on the financial statements.

28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koyo International Limited on 28 March 2018.

STATISTICS OF **SHAREHOLDINGS**

AS AT 15 MARCH 2018

Issued and fully paid-up share capital	–	S$39,442,252
Number of issued shares	–	189,823,497 (with voting rights)
Class of shares	–	Ordinary shares
Voting rights	–	One (1) vote per ordinary share
Number of treasury shares and percentage	–	6,300,000 (3.33%)
Number of subsidiary holdings	–	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	16	1.65	754	0.00
100 – 1,000	124	12.74	59,799	0.03
1,001 – 10,000	359	36.70	1,852,625	0.98
10,001 – 1,000,000	462	47.48	34,973,066	18.42
1,000,001 AND ABOVE	12	1.23	152,937,253	80.57
TOTAL	**973**	**100.00**	**189,823,497**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FOO CHEK HENG	72,725,500	38.31
2	SALIX CAPITAL PTE LTD	49,449,500	26.05
3	TAI CHIEW SHAM	6,551,800	3.45
4	LOH NGIAP CHEW	5,586,100	2.94
5	TAI HO FAH	4,094,600	2.16
6	JOHN HAMILTON CAPITAL LTD	3,400,000	1.79
7	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,570,053	1.35
8	ONG SWEE GUAN	2,165,250	1.14
9	RAFFLES NOMINEES (PTE) LIMITED	2,157,200	1.14
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,622,000	0.85
11	UOB KAY HIAN PTE LTD	1,598,150	0.84
12	TAY TECK HUAT	1,017,100	0.54
13	KOH KIN TONG	1,000,000	0.53
14	DBS NOMINEES (PRIVATE) LIMITED	954,750	0.50
15	ABN AMRO CLEARING BANK N.V.	883,700	0.47
16	LIM SIN TAT	878,600	0.46
17	YEO GUAT KWANG	790,000	0.42
18	PHILLIP SECURITIES PTE LTD	765,580	0.40
19	SEAH CHYE ANN (XIE CAI'AN)	749,900	0.40
20	CHEN WEI	700,000	0.37
	TOTAL	**159,659,783**	**84.11**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 15 March 2018)

	Number of Shares			
Name of Shareholders	**Direct Interest**	**Deemed Interest**	**Total**	**%**
Foo Chek Heng	72,725,500	400,000	73,125,500	38.31
Salix Capital Pte Ltd	49,449,500*	–	49,449,500	26.05
Heng Jee Moi	–	49,449,500*	49,449,500	26.05
Foo Suay Lun	–	49,449,500*	49,449,500	26.05

* Salix Capital Pte Ltd is 100% owned by Heng Jee Moi with joint tenant with her grandson Foo Suay Lun with right of survivorship.

Confirmation of Compliance with Rule 723 of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Catalist Rules")

Based on information available to the Company as at 15 March 2018, approximately 34.22% of the issued ordinary shares of the Company were held by the public and therefore, the Company is in compliance with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

KOYO INTERNATIONAL LIMITED

(Company Registration No. 200100075E)
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Koyo International Limited ("Company") will be held at 16 Arumugam Road, #05-01 LTC Bldg D Singapore 409961 on Friday, 27 April 2018 at 10.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and the Directors' Statement of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a First and Final tax exempt (one-tier) Dividend of 0.10 Singapore cents per ordinary share as recommended by the Directors for the financial year ended 31 December 2017. (2016: 0.10 Singapore cents)
(Resolution 2)

3. To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2018, payable quarterly in arrears. (2017: S$120,000)
(Resolution 3)

4. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 98 of the Constitution of the Company:

   Mr. Foo Suay Wei **(Resolution 4)**
   Ms. Serena Lee Chooi Li **(Resolution 5)**

   [See Explanatory Note (i) and (ii)]

5. To re-appoint Messrs RT LLP as the Company's Independent Auditor and to authorise the Directors to fix their remuneration.
(Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an AGM.

NOTICE OF **ANNUAL GENERAL MEETING**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

7. Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Companies Act") and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual – Section B: Rules of Catalist ("Catalist Rules")

THAT the Directors be and are hereby authorised pursuant to the provisions of Section 161 of the Companies Act and Rule 806 of the Catalist Rules to:

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of the Instruments made or granted by the Directors while this Resolution was in force.

PROVIDED ALWAYS THAT:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this resolution in force;

(2) (subject to the manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a), the percentage of the total issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding and subsisting at the time this Resolution is passed, provided that the share options or share awards (as the case may be) were granted in accordance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and

(4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

8. Authority to issue shares pursuant to the Koyo International Share Options Scheme 2011

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to offer and grant options under the Koyo International Share Options Scheme 2011 (the "**KSOS**") and to issue from time to time such number of shares in the capital of the Company ("**Shares**") as may be required to be issued pursuant to the exercise of options granted by the Company under the KSOS, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the KSOS (including options granted under the KSOS and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company from time to time; and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

(Resolution 8)

9. Approval for Renewal of Share Buyback Mandate

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**"), not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), and such purchases and acquisitions of the Shares may be effected by way of:–

(i) Market purchases ("**Market Purchases**") transacted on the SGX-ST's through the ready market trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) Off-market purchases ("**Off-Market Purchases**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s), as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act, the Constitution of the Company and the Catalist Rules as may for the time being be applicable be and is hereby authorised and generally and unconditionally (the "**Share Buyback Mandate**");

NOTICE OF **ANNUAL GENERAL MEETING**

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period (as hereinafter defined) and expiring on the earliest of:

(i) the date on which the next AGM is held or required by law to be held;

(ii) the date on which the Share Buybacks are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting.

(c) for the purposes of this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five days on which the SGX-ST is open for trading in securities ("**Market Days**") and which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Date of the Making of the offer**" means the date on which the Company announces its intention to make an offer the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades on the Shares immediately preceding the Day of the Making of the Offer pursuant to the Off-Market Purchase;

"**Maximum Limit**" means ten percent (10%) of the total issued Shares of the Company as at the date of the passing of this ordinary resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buyback) in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Highest Last Dealt Price; and

"**Relevant Period**" means the period commencing from the date of passing this ordinary resolution and expiring on the earliest of the date on which the next AGM of the Company is held or required by law to be held, the date on which the Share Buybacks are carried out to the full extent of the Share Buyback Mandate or date the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting;

(d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buyback Mandate in any manner as they think fit, which is permitted under the Companies Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised, empowered to complete and do and execute all such things and acts (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this ordinary resolution.

(Resolution 9)

By Order of the Board

Shirley Tan Sey Liy
Company secretary
5 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

i. Mr Foo Suay Wei ("**Mr Foo**") will, upon re-election as a director of the Company, remain as the Executive Director of the Company. Mr Foo is the son of Mr Foo Chek Heng, the Managing Director/CEO and controlling shareholder of the Company, and is the grandson of Mdm Heng Jee Moi ("Mdm Heng") and brother of Mr Foo Suay Lun the deemed substantial shareholders of the Company as Mdm Heng owns 100% of Solix Capital Pte Ltd with joint tenant with Mr Foo Suay Lun with right of survivorship. Save as disclosed, Mr Foo does not have any material relationships between himself and the Directors, the Company and its 10% shareholders.

ii. Ms Serena Lee Chooi Li ("**Ms Lee**") will, upon re-election as a director of the Company, remain as a Non-Executive Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. The Board considers Ms Lee to be independent for the purpose of Rule 704(7) of the Catalist Rules. Ms Lee is deemed interested in 1,500,000 shares of the Company held by Raffles Nominees Pte Ltd. Further information on Ms Lee can be found in the Annual Report 2017. Save as disclosed Ms Lee does not have any material relationships between herself and the Directors, the Company and its 10% shareholders.

iii. Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue ordinary shares, make or grant Instruments convertible into shares and to issue share pursuant to such Instruments. The aggregate number of shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed, in total, one hundred percent. (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares issued other than on a *pro rata* basis to existing shareholders of the Company, shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

For determining the aggregate number of Shares that may be issued, the percentage of total issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time Resolution 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or vesting of share awards outstanding or subsisting at the time when Resolution 7 is passed and any subsequent consolidation or subdivision of Shares.

iv. Ordinary resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM, or the date by which the next AGM of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares of up to a number not exceeding 15% of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the KSOS and any other scheme or plan of the Company for the time being.

Notes:

1. A member of the Company (other than a Relevant Intermediary*) is entitled to attend and vote at the above Meeting and may appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. A proxy need not be a member of the Company.

4. If the member is a corporation, the instrument appointing the proxy must be under seal of the hand of an officer or attorney duly authorised.

5. The proxy form must be deposited at the Company's registered office at 53 Ubi Ave 3, #02-01, Singapore 408863, not less than forty-eight (48) hours before the time for holding the meeting.

* A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

6. All resolutions put to vote at the AGM shall be decided by way of poll.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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 member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(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 member's breach of warranty.

APPENDIX **DATED 5 APRIL 2018**

This Appendix is circulated to shareholders of Koyo International Limited (the "**Company**") ("**Shareholders**") together with the Company's annual report for the financial year ended 31 December 2017 ("**Annual Report**"). Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders' approval for the renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on 27 April 2018 at 10.30 a.m. at 16 Arumugam Road, #05-01 LTC Bldg D Singapore 409961.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the contents of this Appendix or the actions you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Appendix.

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

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

KOYO International

KOYO INTERNATIONAL LIMITED

(Incorporated in Singapore)

(Company Registration No. 200100075E)

APPENDIX IN RELATION TO THE
PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

APPENDIX **DATED 5 APRIL 2018**

KOYO INTERNATIONAL LIMITED
(Incorporated in Singapore)
(Company Registration No. 200100075E)

Directors		**Registered Office**
Wong Loke Tan	(Non-Executive Independent Chairman)	53 Ubi Ave 3
Foo Chek Heng	(Managing Director/Chief Executive Officer)	#02-01
Foo Suay Wei	(Executive Director)	Singapore 408863
Yeo Guat Kwang	(Non-Executive Independent Director)	
Serena Lee Chooi Li	(Non-Executive Independent Director)	

5 April 2018

To: The Shareholders of Koyo International Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 Reference is made to the notice of annual general meeting ("**AGM**") dated 5 April 2018 ("**Notice of AGM**") of Koyo International Limited ("**Company**") convening the AGM of the Company to be held on 27 April 2018.

1.2 The proposed Resolution 9 in the Notice of AGM relates to the renewal of the share buyback mandate ("**Share Buyback Mandate**"), which was previously approved by shareholders of the Company ("**Shareholders**") at the annual general meeting of the Company held on 27 April 2017, to authorise the directors of the Company ("**Directors**") to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") on the terms of the Share Buyback Mandate. The authority conferred by the Share Buyback Mandate will expire on 27 April 2018, being the date of the forthcoming AGM.

1.3 The purpose of this Appendix is to provide Shareholders with relevant information relating to, and explain the rationale for the proposed renewal of the Share Buyback Mandate to be tabled at the AGM.

2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Directors propose to table for Shareholders' consideration and approval, the renewal of the Share Buyback Mandate to be renewed at the forthcoming AGM to be held on 27 April 2018.

If the ordinary resolution relating to the renewal of the Share Buyback Mandate is passed by Shareholders at the forthcoming AGM, it will remain in force until the earliest of the date on which the next AGM of the Company is held or required by law to be held, the date on which the Share Buyback are carried out to the full extent of the Share Buyback Mandate or the date the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting ("**Relevant Period**").

2.2 **Rationale**

The rationale for the Company to undertake the purchase of its issued Shares ("**Share Buyback**") is as follows:

(a) It is a principal mission of the Directors to constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Company and its subsidiaries (the "**Group**"). A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced; and

(b) Share Buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the earnings and/or net tangible asset value per Share. The Directors further believe that Share Buybacks by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect the Share Buybacks via Market Purchases or Off-Market Purchases (as respectively defined under sections 2.3.4 (a) and (b) below), after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. The Directors do not propose to carry out purchases pursuant to the Share Buyback Mandate to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Group.

The Directors will only make a Share Buyback as and when the circumstances permit and only if the Directors are of the view that such purchases are in the best interests of the Company and the Shareholders. The Directors will decide whether to purchase shares only after taking into account, among other things, the market conditions at such time, the Company's financial condition and whether such purchases will cause the Company to become insolvent, and whether such purchases represent the most efficient and cost- effective approach to enhance Share value.

Share purchases will only be made if the Directors believe that such purchases are likely to benefit the Company and increase economic value for Shareholders.

2.3 **Authority and Limits on the Share Buyback Mandate**

The authority and limitations placed on purchases of Shares by the Company under the Share Buyback Mandate, if renewed at the AGM, are as follows:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company is limited to that number of Shares representing not more than ten per cent (10%) of the total number of issued Shares as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved (the "**Approval Date**") unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time ("**Companies Act**") in which event the total number of issued Shares of the Company shall be taken to be the total number of the issued Shares as altered. For the purposes of calculating the percentage of Shares as referred above, any of the Shares which are held by the Company as treasury shares will be disregarded.

APPENDIX **DATED 5 APRIL 2018**

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at 22 March 2018, being the latest practicable date (the "**Latest Practicable Date**"), comprising 189,823,497 Shares (excluding 6,300,000 treasury shares), and assuming that no further Shares are issued or purchased and kept as Treasury Shares on or prior to the AGM, not more than 18,982,349 Shares (representing 10% of the issued and paid-up share capital (excluding 6,300,000 treasury shares) of the Company as at the date of the AGM) may be purchased by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

Share Buybacks may be made, at any time and from time to time during the Relevant Period, on and from the Approval Date, up to the earlier of:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting.

2.3.3 Solvency

As stated in the Companies Act, the Share Buyback may be made out of the Company's profits or capital so long as the Company is solvent. Accordingly, purchases or acquisition of Shares may only be made if the Directors know that the Company is, or have no reason to believe that the Company is not, solvent.

Pursuant to Section 76F(4) of the Companies Act, the Company is solvent if at the date of the payment made by the Company in consideration of acquiring any right with respect to the purchase or acquisition of its own shares:–

(a) there is no ground on which the Company could be found to be unable to pay its debts;

(b) if –

(i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

2.3.4 Manner of Purchase of Shares

Share Buybacks may be made by way of:

(a) on-market purchases ("**Market Purchase**"), transacted on the Singapore Exchange Securities Trading Limited's ("**SGX-ST**")'s trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Manual Section B: Rules of Catalist the SGX-ST ("**Catalist Rules**") and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must under an Off-Market Purchase, however, satisfy all the following conditions:

(i) offers for the Share Buyback shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:

(i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Catalist Rules requires that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share Buyback;

(d) the consequences, if any, of Share Buybacks by the Company that will arise under the Singapore Code on Take-overs and Mergers, as modified ("**Take-over Code**") or other applicable take-over rules;

(e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), setting out the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

APPENDIX DATED 5 APRIL 2018

2.3.5 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"Average Closing Price" means the average of the closing market prices of a Share over the last five days on which the SGX-ST is open for trading in securities ("**Market Days**") and which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the Market Day on which there were trades on the Shares immediately preceding the Day of the Making of the Offer (as defined hereunder) pursuant to the Off-Market Purchase; and

"Day of the Making of the Offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Status of Purchased Shares under the Share Buyback Mandate**

Any Share which is purchased by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act (as set out below), be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on such cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or otherwise acquired by the Company and which are not held as treasury shares. All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act), will be automatically de-listed by the SGX-ST, and the certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

2.5 **Treasury Shares**

Under the Companies Act, Shares purchased by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The aggregate numbers of Shares held as treasury shares cannot at any time exceed ten per cent (10%) of the total number of issued Shares of the Company. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months or such further periods as the Registrar of Companies may allow.

As at the Latest Practicable Date, the Company holds 6,300,000 treasury shares representing approximately 3.32 per cent (3.32%) of the total number of issued Shares (including treasury shares). Where Shares purchased pursuant to the renewed shares Buyback Mandate are held as treasury shares, the number of such Shares to be held as treasury shares, when aggregated with the then existing Treasury Shares held, shall not, subject to the Companies Act, exceed the ten per cent (10%) limit of the total number of issued Shares of the Company ("**Treasury Shares Limit**").

For illustrative purposes, the Company may only retain a further 13,312,349 Shares as treasury shares as it is only allowed to hold a maximum of 19,612,349 treasury shares (being 10% of the total number of issued Shares of 196,123,497 Shares).

2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members of the Company on a winding up) may be made, to the Company, in respect of the treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares (or any of them) for cash;

(b) transfer the treasury shares (or any of them) for the purposes of, or pursuant to a share scheme of the Company;

(c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of, another company or assets of another person;

(d) cancel the treasury shares (or any of them); or

(e) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance.

APPENDIX **DATED 5 APRIL 2018**

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**Usage**"). Such announcement must include details such as the date of the Usage, the purpose of the Usage, the number of treasury shares comprised in the Usage, the number of treasury shares before and after the Usage, the percentage of the number of treasury shares comprised in the Usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the Usage and the value of the treasury shares comprised in the Usage.

2.6 **Source of Funds**

The Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Buyback Mandate. The Directors do not propose to carry out Share Buybacks to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company.

2.7 **Reporting Requirements under the Companies Act**

Within 30 days of the passing of a Shareholders' resolution to approve the Share Buybacks by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority ("**ACRA**"). The Company shall also notify the ACRA within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the Share Buybacks, including the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the Share Buybacks, and whether the Shares are purchased out of the profits or the capital of the Company.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

2.8 **Tax Implications**

Shareholders who are in doubt as to their respective tax positions or the tax implications as a result of any share purchase or acquisition by the Company, or who may be subject to tax whether in or outside Singapore, should consult their professional advisers.

2.9 **Catalist Rules**

Under the Catalist Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five per cent (5%) above the average closing market price, being the average of the closing market prices of the shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in section 2.3.5(a) above, conforms to this restriction. Additionally, the Catalist Rules also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement shall include, *inter alia*, details of the total number of shares authorised for purchase, the date of purchase, prices paid for the total number of shares purchased, the purchase price per share or (in the case of Market Purchases) the purchase price per share or the highest price and lowest price per share and the number of issued shares after purchase, in the form prescribed under the Catalist Rules.

While the Catalist Rules does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the renewed Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Directors until such price-sensitive information has been publicly announced.

Further, in line with the Company's best practices guide on securities dealings under the Catalist Rules, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing:

(a) one (1) month immediately preceding the announcement of the Company's annual (full year) results; and

(b) one (1) month immediately preceding the announcement of the Company's interim (half-year) results.

2.10 **Listing Status**

Catalist Rules requires a listed company to ensure that at least ten per cent (10%) of its Shares (excluding treasury shares) are in the hands of the public. The "public", as defined under the Catalist Rules, are persons other than (i) the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries; and the associates (as defined in the Listing Rules) of persons in (i). As at the Latest Practicable Date, there are 64,958,497 Shares in the hands of the public, representing 34.22% of the issued Shares of the Company (based on 189,823,497 issued Shares, excluding 6,300,000 treasury shares). As at the Latest Practicable Date, the Company has 189,823,497 issued Shares (excluding 6,300,000 treasury shares).

For illustration purpose only, assuming that the Company purchases up to the maximum number of 10% of the issued Shares, being 18,982,349 Shares as at the Latest Practicable Date, from members of the public by way of an On-Market Purchase and of which 13,312,349 of such Shares will be held as treasury shares while the remaining 5,670,000 of such Shares will be cancelled, the resultant number of Shares held by the public after the purchase of such Shares would be 45,976,148 Shares, representing approximately 26.91% of the remaining issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there are sufficient numbers of the Shares in issue held by public. Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full ten per cent (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

In undertaking any purchase of its Shares, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the share buyback(s) will not:

(a) adversely affect the listing status of the Shares on the SGX-ST;

(b) cause market illiquidity; or

(c) adversely affect the orderly trading of Shares.

APPENDIX **DATED 5 APRIL 2018**

2.11 **Implications under the Take-over Code**

The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.11.1 Obligation to make a take-over offer

Rule 14 of the Take-over Code ("**Rule 14**") requires, *inter alia*, that except with the consent of the Securities and Industry Council of Singapore ("**SIC**"), where:–

(a) any person acquires, whether by a series of transaction 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% or more of the voting rights or a company; or

(b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% 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% of the voting rights,

such person shall extend immediately an offer on the basis set out below to the holders of any class of shares in the capital which carries votes and in which such person or persons acting in concert with him hold shares. In addition to such person, each of the principal members of the group or persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In calculating the percentages of voting rights of such person and their concert parties, treasury shares shall be excluded.

2.11.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies, who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert with each other under the Take-over Code:

(a) the following companies:–

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v). For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company; and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:–

  (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

  (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:–

  (i) an individual;

  (ii) the close relatives of (i);

  (iii) the related trusts of (i);

  (iv) any person who is accustomed to act in accordance with the instructions of (i);

  (v) companies controlled by any of (i), (ii), (iii) or (iv); and

  (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

APPENDIX **DATED 5 APRIL 2018**

2.11.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

Appendix 2 of the Take-over Code contains the share buyback guidance note. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, if, as a result of any purchase or acquisition by the Company of its Shares, the proportionate percentage of voting rights held by a Shareholder and persons acting in concert with him increase, such increase will be treated as an acquisition for the purposes of the Take-over Code. If as a result of such increase, a Shareholder or group of Shareholders acting in concert with a Director obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert with a Director could become obliged to make a take-over offer for the Company under Rule 14.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30 per cent (30%) or more, or, if such Shareholder holds between 30 per cent (30%) and 50 per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution to approve the renewal of the Share Buyback Mandate. As Mr. Foo Chek Heng and his concert parties already collectively hold more than 50% of the Shares in the Company, he will not be required to make a take-over offer under the Take-over Code as a result of the Company buying back its own shares.

Under the Take-over Code, it is deemed that Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Heng Jee Moi and Foo Suay Lun, who are Foo Chek Heng's mother and son respectively) are acting in concert ("**Concert Party Group**"). As at the Latest Practicable Date, the Concert Party Group holds an aggregate of 122,575,000 shares representing 64.57% of the Company's Shares (excluding treasury shares). Based on the shareholding of the Concert Party Group, in the event the Company undertakes Share buy backs under the renewed Share Buyback Mandate up to the maximum number of ten percent (10%) of the issued share capital of the Company (excluding treasure shares) as permitted by the renewed Share Buyback Mandate, the shareholdings and voting rights of the Concert Party Group will increase from 64.57% to 71.75%.

2.12 **Details of the Shares Bought by the Company in the Previous 12 Months**

The Company did not purchase any Shares pursuant to the previous renewal of the Share Buyback Mandate approved by Shareholders at the AGM on 27 April 2017 up to the Latest Practicable Date.

3. LIMITS ON SHAREHOLDINGS

The Company does not have any limits on the shareholding of any Shareholder.

4. FINANCIAL EFFECTS OF SHARE BUYBACK MANDATE

4.1 **General**

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analyses set out below are based on the audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2017 and are not necessarily representative of future financial performance. Although the Share Buyback Mandate would authorise the Company to buy back up to ten per cent (10%) of the Company's issued Shares (excluding treasury shares), the Company may not necessarily buyback or be able to buyback ten per cent (10%) of the issued Shares (excluding treasury shares) in full.

4.2 **The Share Buyback Mandate**

It is not possible for the Company to realistically calculate or quantify the impact of purchases as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held as treasury shares or cancelled.

Under the Companies Act, Share Buybacks by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Share Buybacks will only be made after considering relevant factors such as the availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhance Shareholders' value as set out in section 2.2. The financial effects of the Company and the Group, presented in this section 4.2.2, based on audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2017; are based on the assumptions set out below:

(a) based on 189,823,497 Shares in issue (excluding 6,300,000 treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued and no further are purchased or acquired pursuant to the Share Buyback Mandate, and assuming there were no outstanding options ("**Options**") under the Koyo International Employee Share Option Scheme 2011 on or prior to the AGM, the Company purchases 18,982,349 Shares which represents the full 10% of the issued Shares (excluding Treasury Shares) and all 18,982,349 Shares will be cancelled or 13,312,349 such Shares will be held as Treasury Shares while the remaining 5,670,000 of such Shares will be cancelled as it exceeds the Treasury Shares Limit;

(b) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purposes of computing the financial effects;

(c) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 18,982,349 Shares at the Maximum Purchase Price of S$0.070 for one Share (being the price equivalent to 105% of the Average Closing Price for the Shares for the five consecutive Market Days on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date which is 22 March 2018), the maximum amount of funds required for the purchase or acquisition of 18,982,349 Shares is S$1.329 million; and

(d) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 18,982,349 Shares at the Maximum Purchase Price of S$0.082 for one Share (being the price equivalent to 20% above the Highest Last Dealt Price for the Shares for the Market Day on which there were trades on the Shares immediately preceding the Latest Practicable Date which is 22 March 2018), the maximum amount of funds required for the purchase or acquisition of 18,982,349 Shares is S$1.557 million.

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For illustrative purposes only and on the basis of the assumptions set out in (a), (b), (c) and (d) above, the financial effects for Share buybacks made entirely out of profits and capital are as follow:

4.2.1 **Market or Off-Market Purchases made entirely out of profits and cancelled, or held as treasury shares**

The Company does not have enough accumulated profit as at 31 December 2017 to acquire or purchase Shares entirely out of profits and as such, it is not possible to calculate the financial effects of the Share Buyback made entirely out of profits whether by way of Market or Off-Market Purchases.

4.2.2 **Market or Off-Market Purchases made entirely out of capital and cancelled, or held as treasury shares**

The financial effects of the purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital by way of Market and Off-Market Purchases and cancelled, or held as treasury shares (disregarding the treasury share limit as set out in paragraph 2.5.1 of this Appendix) based on the audited consolidated accounts of the Group and the Company for the financial year ended 31 December 2017 as if the Share Buyback Mandate had been effective on 31 December 2017 are set out below:

Market Purchase

Scenario 1

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital, with 13,312,349 shares held as treasury shares and 5,670,000 shares cancelled.

	Group		Company	
	Before Share Buyback S$'000	After Share Buyback S$'000	Before Share Buyback S$'000	After Share Buyback S$'000
Audited as at 31 December 2017				
Shareholders' Funds	19,211	18,814	29,415	29,018
Treasury Shares	(630)	(1,562)	(630)	(1,562)
Total Shareholders' Funds	18,581	17,252	28,785	27,456
Net Assets	18,581	17,252	28,785	27,456
Current Assets	24,275	22,946	1,948	619
Current Liabilities	6,058	6,058	1,113	1,113
No. of Shares ('000)				
Ordinary Shares	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	9.79	10.10	15.16	16.07
Basic EPS (cents)	0.36	0.40	0.11	0.13
Current Ratio (times)	4.01	3.79	1.75	0.56

Notes:

(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding non-controlling interests.

(2) Net assets exclude non-controlling interests.

(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.

(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.

(5) Current ratio equals to current assets divided by current liabilities.

Market Purchase

Scenario 2

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and cancelled.

	Group		Company	
	Before Share Buyback S$'000	After Share Buyback S$'000	Before Share Buyback S$'000	After Share Buyback S$'000
Audited as at 31 December 2017				
Shareholders' Funds	19,211	17,882	29,415	28,086
Treasury Shares	(630)	(630)	(630)	(630)
Total Shareholders' Funds	18,581	17,252	28,785	27,456
Net Assets	18,581	17,252	28,785	27,456
Current Assets	24,275	22,946	1,948	619
Current Liabilities	6,058	6,058	1,113	1,113
No. of Shares ('000)				
Ordinary Shares	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	9.79	10.10	15.16	16.07
Basic EPS (cents)	0.36	0.40	0.11	0.13
Current Ratio (times)	4.01	3.79	1.75	0.56

Notes:
(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding non-controlling interests.
(2) Net assets exclude non-controlling interests.
(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.
(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.
(5) Current ratio equals to current assets divided by current liabilities.

For the purpose of these illustrations, it was assumed that the Company withdraws S$1,329,000 from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buyback Mandate, use other internal resources to finance the purchases.

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Off-Market Purchase

Scenario 1

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital, with 13,312,349 shares held as treasury shares and 5,670,000 shares cancelled.

	Group		Company	
	Before Share Buyback S$'000	After Share Buyback S$'000	Before Share Buyback S$'000	After Share Buyback S$'000
Audited as at 31 December 2017				
Shareholders' Funds	19,211	18,740	29,415	28,944
Treasury Shares	(630)	(1,735)	(630)	(1,735)
Total Shareholders' Funds	18,581	17,005	28,785	27,209
Net Assets	18,581	17,024	28,785	27,228
Current Assets	24,275	22,718	1,948	391
Current Liabilities	6,058	6,058	1,113	1,113
No. of Shares ('000)				
Ordinary Shares	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	9.79	9.96	15.16	15.93
Basic EPS (cents)	0.36	0.40	0.11	0.13
Current Ratio (times)	4.01	3.75	1.75	0.33

Notes:
(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding non-controlling interests.
(2) Net assets exclude non-controlling interests.
(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.
(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.
(5) Current ratio equals to current assets divided by current liabilities.

Off-Market Purchase

Scenario 2

Purchase or acquisition of 18,942,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and cancelled.

	Group		Company	
	Before Share Buyback S$'000	**After Share Buyback S$'000**	**Before Share Buyback S$'000**	**After Share Buyback S$'000**
Audited as at 31 December 2017				
Shareholders' Funds	**19,211**	**17,654**	**29,415**	**27,858**
Treasury Shares	**(630)**	**(630)**	**(630)**	**(630)**
Total Shareholders' Funds	**18,581**	**17,024**	**28,785**	**27,228**
Net Assets	**18,581**	**17,024**	**28,785**	**27,228**
Current Assets	**24,275**	**22,718**	**1,948**	**391**
Current Liabilities	**6,058**	**6,058**	**1,113**	**1,113**
No. of Shares ('000)				
Ordinary Shares	**189,823**	**170,841**	**189,823**	**170,841**
Net Assets per Share (cents)	**9.79**	**9.96**	**15.16**	**15.94**
Basic EPS (cents)	**0.36**	**0.40**	**0.11**	**0.13**
Current Ratio (times)	**4.01**	**3.75**	**1.75**	**0.35**

Notes:
(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding non-controlling interests.
(2) Net assets exclude non-controlling interests.
(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.
(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.
(5) Current ratio equals to current assets divided by current liabilities.

For the purpose of these illustrations, it was assumed that the Company withdraws S$1,576,000 from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buyback Mandate, use other internal resources to finance the purchase.

Shareholders should note that the financial effects set out above are for illustrative purposes only. It should be noted that the above analyses are based on historical audited financial statements for the financial year ended 31 December 2017 and is not necessarily representative of future financial performance.

Although the Share Buyback mandate would authorise the Company to purchase or acquire up to ten per cent (10%) of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of the total issued ordinary share capital of the Company. In addition, the Company may cancel all or part of the Shares repurchased or may hold all or part of the Shares repurchased in treasury.

APPENDIX DATED 5 APRIL 2018

5. INTERESTS OF DIRECTORS (AND CONCERT PARTIES WHERE RELEVANT) AND/OR SUBSTANTIAL SHAREHOLDERS

Assuming (i) the Company purchases the maximum number of ten per cent (10%) of the issued Shares (excluding treasury shares) of the Company as at the Latest Practicable Date, and (ii) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders of the Company based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company maintained pursuant to Section 164 and Section 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders before and after the purchase of Shares, were/will be as follows:

	Before the Share Buyback				After the Share Buyback
	No. of Shares			% of total issued shares(1)	% of total issued shares(2)
Director	**Direct**	**Deemed**	**Total**		
Foo Chek Heng	72,725,500	400,000	73,125,500	38.52%	42.80%
Foo Chek Heng and concert parties(4)	72,725,500	49,849,500	122,575,000	64.57%	71.75%
Foo Suay Wei	–	–	–	–	–
Wong Loke Tan	–	–	–	–	–
Yeo Guat Kwang	790,000	–	790,000	0.42%	0.46%
Serena Lee Chooi Li	–	1,500,000	1,500,000	0.79%	0.88%
Substantial Shareholder (excluding Directors)					
Salix Capital Pte Ltd(3)	49,449,500	–	49,449,500	26.05%	28.94%
Foo Suay Lun(3)	–	49,449,500	49,449,500	26.05%	28.94%
Heng Jee Moi(3)	–	49,449,500	49,449,500	26.05%	28.94%

Notes:

(1) The percentages in the table are calculated based on the total interests (direct and deemed) against 189,823,497 Shares (excluding 6,300,000 treasury shares) as at the Latest Practicable Date.

(2) The percentages in the table are calculated based on the total interests (direct and deemed) against 170,841,148 Shares (excluding 18,982,349 treasury shares) assuming the Company purchases the maximum number of 10% of the Shares as at the Latest Practicable Date.

(3) Salix Capital Pte Ltd is 100% owned by Heng Jee Moi with joint tenant with her grandson Foo Suay Lun with right of survivorship.

(4) Under the Take-over Code, it is deemed that Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Heng Jee Moi and Foo Suay Lun, who are Foo Chek Heng's mother and son respectively) are acting in concert. They hold an aggregate of 122,575,000 shares, representing 64.57% of the Company's Shares (excluding treasury shares).

6. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Buyback Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Share Buyback Mandate is contained in the Notice of AGM as Ordinary Resolution 9.

7. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 as set out in the Notice of AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix 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 Appendix in its proper form and context.

9. INSPECTION OF DOCUMENTS

Copies of the Constitution of the Company is available for inspection at the registered office of the Company at 53 Ubi Avenue 3, #02-01 Singapore 408863 during normal business hours from the date of this Appendix up to the date of the AGM.

Yours faithfully
For and on behalf of the Board of Directors
Koyo International Limited

Foo Chek Heng
Managing Director/Chief Executive Officer

5 April 2018

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KOYO INTERNATIONAL LIMITED

(Company Registration No. 200100075E)
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointments as proxies.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, ______________________ (Name) ______________________ (NRIC/Passport No./Co.Registration No.)

of ____ (Address)

being a *member/members of **KOYO INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as *my/our proxy/proxies to attend and to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 16 Arumugam Road, #05-01 LTC Bldg D Singapore 409961, on Friday, 27 April 2018 at 10.30 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion, as *he/they will on any other matter arising at the Meeting. All resolutions put to vote at the Meeting shall by decided by way of poll.

No.	**Resolutions relating to:**	**No. of Votes 'For'****	**No. of Votes 'Against'****
1	To receive and adopt the Audited Financial Statements and the Directors' Statement for the financial year ended 31 December 2017 together with the Auditor's Report thereon		
2	To declare a First and Final tax exempt (one-tier) dividend of 0.10 Singapore cents per ordinary share for the financial year ended 31 December 2017		
3	To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2018, payable quarterly in arrears (2017: S$120,000)		
4	To re-elect Mr. Foo Suay Wei as a Director		
5	To re-elect Ms. Serena Lee Chooi Li as a Director		
6	To re-appoint Messrs RT LLP as the Company's Independent Auditor and to authorise the Directors to fix their remuneration		
7	To authorise Directors to issue shares and make or grant convertible instruments		
8	To authorise Directors to issue shares pursuant to the Koyo International Share Options Scheme 2011		
9	To approve the renewal of Share Buyback Mandate		

** If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of __________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
and/or, Common Seal of Corporate Shareholder

* *Delete where inapplicable*

IMPORTANT: PLEASE READ NOTES OVERLEAF

FOLD HERE FOR SEALING

THE COMPANY SECRETARY
KOYO INTERNATIONAL LIMITED
53 UBI AVENUE 3,
#02-01,
SINGAPORE 408863

FOLD HERE

Notes:

1. 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, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. A proxy need not be a member of the Company.

6. Subject to Note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 53 Ubi Avenue 3, #02-01, Singapore 408863 not less than forty-eight (48) hours before the time appointed for the Meeting.

8. The instrument appointing a proxy or proxies must be under the hand of the appointor or his 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter of power of attorney or a duly certified copy thereof must be lodged with the instrument.

9. A corporation which is a member may authorised by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

10. An investor who holds shares under Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in 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 lodged if the members, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 Annual General Meeting dated 5 April 2018.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Wong Loke Tan
Non-Executive Independent Chairman

Foo Chek Heng
Managing Director and
Chief Executive Officer

Foo Suay Wei
Executive Director

Yeo Guat Kwang
Non-Executive Independent Director

Serena Lee Chooi Li
Non-Executive Independent Director

AUDIT COMMITTEE
Wong Loke Tan (Chairman)
Yeo Guat Kwang
Serena Lee Chooi Li

NOMINATING COMMITTEE
Yeo Guat Kwang (Chairman)
Foo Chek Heng
Serena Lee Chooi Li

REMUNERATION COMMITTEE
Serena Lee Chooi Li (Chairman)
Yeo Guat Kwang
Wong Loke Tan

COMPANY SECRETARY
Shirley Tan Sey Liy (ACIS)

REGISTERED OFFICE
53 Ubi Ave 3 #02-01
Singapore 408863
Tel: 6744 9388
Fax: 6744 0788
Email: mail@koyointernational.com
Web: www.koyotech.com
Company Registration
No. 200100075E

SHARE REGISTRAR
Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: 6536 5355
Fax: 6438 8710

SOLICITOR
Legal Solutions LLC
80 Raffles Place
#44-01 UOB Plaza 1
Singapore 048624

INDEPENDENT AUDITOR
RT LLP
Public Accountants and
Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616
Partner-in-charge: Ong Kian Meng
Year of first appointment: Since the
financial year ended 31 December 2016

PRINCIPAL BANKERS
DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited

CONTINUING SPONSOR
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

KOYO International

53 Ubi Ave 3, #02-01, Singapore 408863
Tel : 6744 9388 | Fax : 6744 0788
Email : mail@koyointernational.com
Web: www.koyotech.com