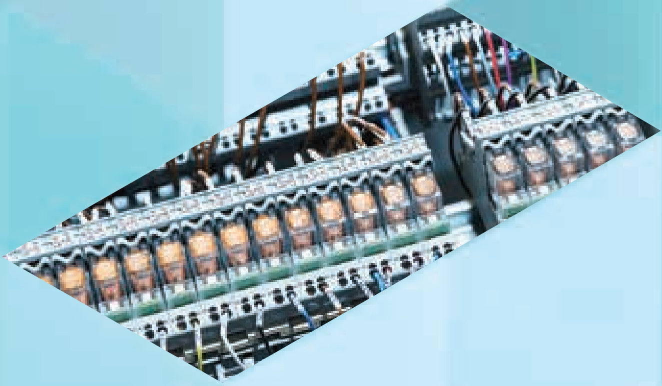
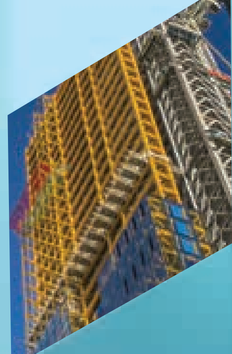
KOYO International

ANNUAL REPORT
2014

DIVERSIFYING GROWTH





CONTENTS

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, statement or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

MISSION STATEMENT

KOYO

COMMITMENT

INTEGRITY

PROFESSIONALISM

Provide better quality and service

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 2014 (FY2014).

Koyo International Limited (the "Company" or "Koyo" and together with its subsidiaries, the "Group" or "Koyo Group") has built on its FY2013 success by further improving the positive performance with a net profit of $1.9 million for FY2014. This is indeed a very good testament to the sound fundamentals of the Group.

FINANCIAL REVIEW

Total revenue for FY2014 was $20.3 million, which is an increase of 34.2% compared to that of last year. This is mainly due to the completion of significant mechanical engineering projects, maintenance contracts, and supply of construction materials contract. This positive result has allowed us to achieve an earnings of 1.00 cent per share in FY2014 (FY2013: 0.51 cents), which significantly enhanced shareholder value.

The increase in revenue, coupled with our various cost control measures in place, has also resulted in the substantial increase in our cash position, which now stands at $15.7 million as at the end of FY2014 (FY2013: S$11.2 million). The healthy cash balance will not only provide us with ever ready internal funding capability for any future investment opportunities, but also gives us the flexibility in making early payments to those creditors who offer substantial discounts for their supplies of goods to us.

DIVIDEND

In appreciation of our shareholders' long-term support, the Board is recommending a first and final dividend of $0.002 per share, to be approved by shareholders in the forthcoming annual general meeting of the Company.

SHARE BUYBACK MANDATE AND EMPLOYEE SHARE OPTION SCHEME

The Company did not purchase any of its own shares during the financial year ended 31 December 2014. Also no further share options to employees were granted since the last grant in January 2013. To date, the number of shares eligible under the granted share options is 5,565,000 shares.

OUTLOOK

The Group believes that the outlook for the construction sector in the upcoming year will remain subdued for the most part of the year. This is owing to many local factors, the most significant of which is that tendering opportunities for private building projects would be substantially constrained by the ever rising labour costs, government cooling measures introduced on the property sector, and the ever intense market competition from within the industry. In light of this challenging environment, the Group is positioning itself by actively exploring new business opportunities that could readily complement our existing core competency and at the same time provide us with new avenues for diversification.

With our years of proven track record and reputation in the Singapore construction industry, experienced management team, and new business segments, we believe that the Group will be well-positioned to ascend to a greater height in the coming years ahead.

CORPORATE DEVELOPMENTS

The Group is now looking into the opportunities and possibilities to enter into property development, management and investment. We will not only look at opportunities locally, but also those in other ASEAN countries, including China and Australia.

The Group has completed some shipments of sand to Singapore in FY2014. In FY2015, the Group will seek to increase contribution from the supply of construction materials sector. The Group has already obtained a Building & Construction Authority (BCA) grading of L6 for the SY01C work head for the supply of other basic construction materials. The Group was also granted an importer's license recently from BCA which allows us to carry out business of importing essential construction materials. With the BCA grading and importer's licence, we will be able to tender for more government projects and participate in many more significant local projects. In time, we aim to be one of the leading construction material suppliers in Singapore.

In order to become a leading supplier of construction materials, the Group believes that it has to have an effective supply chain. As such, it intends to offer a full range of services that are integral to the supply of construction materials in Singapore. These include the ownership of concessions for construction materials, shipping/chartering services, logistics planning and ancillary support services such as stevedoring. These will be a long term undertaking and the Group will do so cautiously.

In recent times, there has been greater push exerted by various authorities to increase building efficiency. Such policy has resulted in a significant drive towards the utilisation of energy-saving products both by developers and building owners alike. As such, we are hoping to target this particular market segment by providing developers and building owners with innovative and green solutions for the building sectors. It is of paramount interest to note that the Group has successfully installed what is arguably the largest phase change material capacity in Singapore. This is done by integrating it with the chiller plant system at Cleantech 2 @ Cleantech Park, a prestigious development by Jurong Town Corporation.

By working actively and closely with local consultants and owners alike during 2015, we hope to impress upon them the considerable benefits of these new technologies and develop the receptivity of the Singapore market to these products Su.

APPRECIATION

We would like to express our heart felt appreciation and thanks to the members of the Board for the continuous guidance and invaluable contributions. We would also like to take this opportunity to congratulate Mr. Foo Suay Wei who has been appointed to the post of Executive Director on 26 December 2014, overseeing operations of the Group and business development, among others. Welcome on board, Suay Wei.

Lastly, we would also like to thank our valued shareholders, customers, suppliers and sub-contractors for their continued support. As always, our sincerest thanks go out to the management and staff of the Company for their services and commitments to the Group. By working together closely, we are confident that the Group will be in the position to achieve better results in time to come.

LEE CHEN CHONG
Non-Executive and Independent Chairman

FOO CHEK HENG
Chief Executive Officer and Executive Director

14 April 2015

BUSINESS OVERVIEW

Koyo International Limited has been listed on the SGX Catalist since 2009. Since our listing, the Group 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 Group can be broadly categorised into four core business segments. These include 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 that will commensurate 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 has recently also started the business which include 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 services. To further expand the business of supply of construction materials, shareholders' approval is sought for the diversification of the Group's business to include the business of supply of construction materials.

A summary of the 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/Shipping
- Ownership/Acquisition of mines and concessions
- Chartering
- Marine transportation
- Logistic and support service

PERFORMANCE REVIEW

REVENUE

Koyo recorded revenue of approximately $20.3 million for the financial year ended 31 December 2014 ("FY2014") representing an increase of 34.2% as compared to $15.1 million recorded in financial year ended 31 December 2013 ("FY2013"). The increase in total revenue was mainly attributable to the increase in revenue from facilities management segment and supply of construction materials. Revenue contribution from the facilities management segment increased by approximately S$3.0 million for FY2014. This is due to the additional A&A works for MOE Schools. The supply of reclamation sea sand, which commenced only in the current financial year reported on, had contributed revenue of S$1.8 million.

COST OF SALES

In tandem with the increase in revenue, cost of sales increased by 45.2% to approximately $14.9 million in FY2014. Gross profit increased by 10.8% to approximately $5.4 million in FY2014 as compared to $4.8 million in FY2013.

GROSS PROFIT MARGIN

Koyo's gross profit margin decreased from 32.0% in FY2013 to 26.4% in FY2014. The decrease was mainly due to a lower gross profit margin from supply of construction materials of approximately 6.6%.

PROFIT BEFORE TAX

The Group recorded a pre-tax profit of $2.1 million in FY2014. This was an increase of $1.0 million as compared to FY2013 and was largely due to higher revenue recorded.

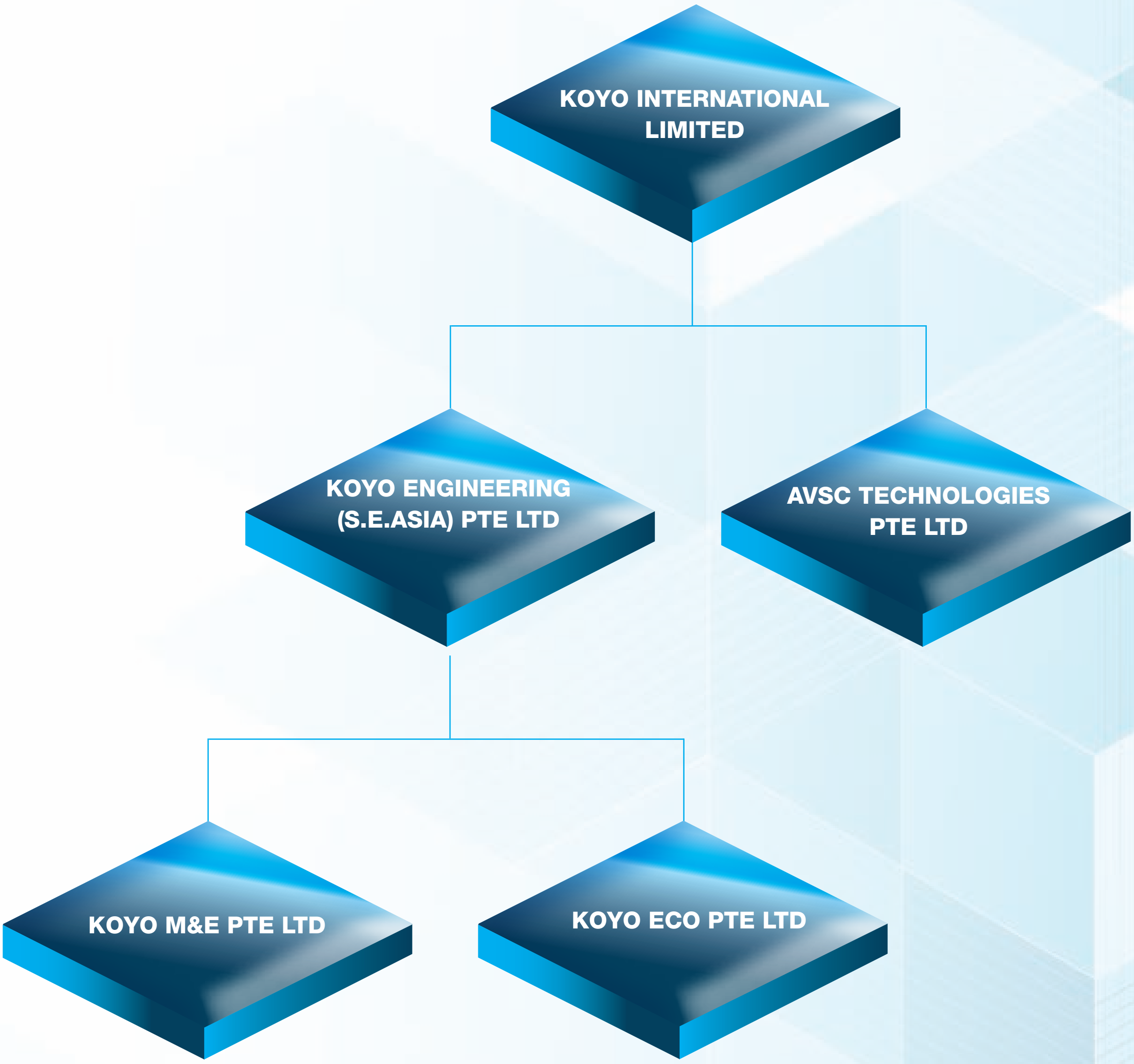
BALANCE SHEET

Cash and cash equivalents increased approximately by $4.5 million or 39.8%, from $11.2 million as at 31 December 2013 to $15.7 million as at 31 December 2014.

Trade and other receivables decreased by $3.9 million from $10.8 million as at 31 December 2013 to $6.9 million as at 31 December 2014 as a result of a decrease in amounts due from customers and trade receivables. Trade receivables turnover improved from 96 days in FY2013 to 46 days at the end of FY2014.

Trade and other payables decreased by $1.3 million or 19.4%, to $5.2 million as at 31 December 2014.

CORPORATE STRUCTURE



CORPORATE PROFILE

Koyo Group consist of the holding company Koyo International Limited, its direct 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 extensive track record in project management and implementation of M&E services for Industrial, Commercial and Residential Buildings which include 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 31 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 was also awarded the prestigious SME 500 award in 2009. Today, Koyo Engineering has successfully completed more than 160 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 materials, shipping/chartering services, logistics planning and ancillary support services such as stevedoring.

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.

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, and liquid desiccant systems.

Koyo Group has integrated and installed what is arguably Singapore 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.

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.

TÜV SÜD ISO 9001
CERT NO: 2007-2-1600-1
ISO 9001 : 2008

OHSAS 18001 AJA
Certificate No :AP/SG/09HS/392

bizSAFE STAR

SINGAPORE ACCREDITATION COUNCIL
Reg No: QS-2001-11

SINGAPORE 1000
SINGAPORE SME 1000
INTERNATIONAL 100

BOARD MEMBERS

LEE CHEN CHONG
Non-Executive Chairman

Lee Chen Chong is a Non-Executive Chairman on the Board. He was appointed to the Board on 21 January 2009 and was last re-appointed on 21 April 2014. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee.

He is a Fellow of the Chartered Institute of Bankers (FCIB), London and spent a total of 34 years in commercial and international banking with local as well as banks overseas. He commenced his banking career with Malayan Banking Berhad (Maybank) in 1962 and was later the General Manager of the bank's London branch from 1972 to 1985. From 1985 to 1993, he was the Executive Director of Malaysian French Bank Berhad (now known as Alliance Bank Berhad), in charge of the bank's daily banking operations. He was subsequently appointed the Managing Director of the bank until he relinquished the post at the end of 1993.

Chen Chong moved to Eastern Europe in early 1994 as the President of the International Commercial Bank (ICB) and managed the banking operations of the banks in Prague (Czech Republic) and Budapest (Hungary). From 1995 to 1997, he was a director of Lombard Bank of Malta Limited, Malta Island. He also served as a Non-Executive Director of Firstlink Investments Corporation Limited, a Singapore main board listed company for a brief period of approximately one and a half years. He had been associated with Multi-Purpose Holdings Berhad from 1989 until his retirement as Executive Director at the end of 2000. He was also the Executive Director of Ipmuda Berhad from 2001 to 2008.

Currently Chen Chong is a Non-Executive Director of IGB REIT BERHAD listed on the Main Market of Bursa Malaysia Securities Berhad.

Past Directorship over the Preceding Three Years
Kriss Asset Holdings Berhad

YEO GUAT KWANG
Independent Director

Yeo Guat Kwang was appointed to the Board on 15 July 2009 and was last re-elected on 27 April 2012. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Guat Kwang has been a Member of Parliament since January 1997. He is also the Director of Workplace Safety and Health of NTUC. Guat Kwang also serves as a member of the Board of Directors of the Agri-Food & Veterinary Authority of Singapore and SIIC Environment Holdings Ltd.

Past Directorship over the Preceding Three Years
Neo Group Ltd
China Gaoxian Fibre Fabric Holdings Ltd

FOO CHEK HENG
Executive Director

Foo Chek Heng was appointed Managing Director on 21 January 2009 and was last re-elected on 21 April 2014.

Chek Heng has more than 36 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 has been the director of Koyo Engineering since June 1993 and a director of Koyo M&E since its incorporation in September 2006.

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.

FOO SUAY WEI
Executive Director

Foo Suay Wei was appointed Executive Director of Koyo in December 2014. He joined Koyo in August 2013 as Strategy and Business Development Manager and was promoted to Senior manager in March 2014 before being promoted to his current position. 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 is a member of the Institute of Singapore Chartered Accountant, 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.

SERENA LEE CHOOI LI
Independent Director

Serena Lee was appointed to the Board on 13 June 2007 and was last re-elected on 26 April 2013. 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 fifteen years in corporate/commercial, property and banking areas. She is currently a partner of CTLC Law Corporation and is also a corporate 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.

KEY MANAGEMENT TEAM

DALAT KOSITANON
Corporate Services Division Manager

Dalat Kositanon is currently 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 currently the Project Manager overseeing major projects undertaken by Koyo. He has more than 20 years 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 currently 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 9002 Quality Management System.

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Chen Chong
Independent & Non-executive Chairman

Foo Chek Heng
Executive Director

Foo Suay Wei
Executive Director

Yeo Guat Kwang
Independent & Non-executive Director

Serena Lee Chooi Li
Independent & Non-executive Director

AUDIT COMMITTEE

Lee Chen Chong (Chairman)

Yeo Guat Kwang

Serena Lee Chooi Li

COMPANY SECRETARY

Chin Hooi Yen
Polaris Corporate Services Pte Ltd
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Email: mail@koyointernational.com
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Fax: 6436 1360

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#10-01 City House
Singapore 068877

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Director-in-charge: Loh Hui Nee
Year of appointment: 2012

CONTINUING SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

PRINCIPAL BANKERS

DBS Bank Ltd
United Overseas Bank Limited

CORPORATE GOVERNANCE

Koyo International Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "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 (the "Shareholders"). This Report describes the Company's corporate governance processes and activities with specific reference made to the principles and guidelines as set out in the revised Code of Corporate Governance 2012 (the "Code"). Deviations from the Code have been explained.

BOARD MATTERS

Board's Conduct of its Affairs
Principle 1: Effective Board to lead and control the Company

The Board's 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. Matters requiring Board's decision and approval include:

(1) Major funding proposals, investments, acquisitions and divestments

(2) Annual and half yearly financial reports;

(3) Internal Controls and risk management strategies and execution;

(4) Appointment of directors and key management staff;

(5) Declaration of interim dividends and proposal of final dividends;

(6) Convening of shareholders' meetings.

The Board schedules regular meetings but ad hoc meetings are held as and when they are required. Otherwise, approvals from the Board will be sought by way of circular board resolutions. Board meetings by telephone conference are allowed under the Company's Articles of Association. To assist the Board in discharging its responsibilities effectively and efficiently, three key committees, namely, the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC") are established. Their respective roles are further discussed in this report.

Details of the attendance of the Board members at the meetings of the Board and Board Committees during the financial year are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	3	2	2
Name of Directors	**No. of Meetings attended**			
Foo Chek Heng	4	N/A	2	N/A
Lee Chen Chong	4	3	N/A	2
Yeo Guat Kwang	4	3	2	2
Serena Lee Chooi Li	4	3	2	2
Foo Suay Wei*	N/A	N/A	N/A	N/A

* Mr. Foo Suay Wei was appointed as an Executive Director of the Company with effect from 26 December 2014.

CORPORATE GOVERNANCE

The members of the Board are regularly updated on the new developments in the Group's business environment and are provided with opportunities to train and to update themselves on new developments in applicable regulatory regimes.

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. 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: Strong and Independent Board

Currently, the Board comprises 5 Directors of whom three (3) are independent & non-executive directors while the remaining two (2) are executive directors as follows:

Lee Chen Chong	(Independent & Non-Executive Chairman)
Foo Chek Heng	(Managing Director/Chief Executive Officer)
Yeo Guat Kwang	(Independent& Non-Executive Director)
Serena Lee Chooi Li	(Independent & Non-Executive Director)
Foo Suay Wei*	(Executive Director)

Note:

* *Mr. Foo Suay Wei was appointed as an Executive Director of the Company with effect from 26 December 2014.*

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure there is a strong independent element on the Board such that the Board is able to exercise objective judgment on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC is of the view that Mr. Lee Chen Chong, Mr. Yeo Guat Kwang and Ms. Serena Lee Chooi Li are independent. Guideline 2.1 of the Code is met as the 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.

None of the Independent Directors has served on the Board for more than nine (9) years from the date of his/her first appointment.

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 Board and Board Committees comprises Directors who as a group provide core competencies such as finance, banking, business, mechanical and electrical engineering, legal, and occupational health and safety. Hence, the NC is of the view that the current Board and Board Committees comprise persons who as a group provide capabilities required for the Board to be effective.

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3: Clear Division of Responsibilities at the Top of the Company

The roles of the Chairman and the Managing Director/Chief Executive Officer 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/Chief Executive Officer.

As the Independent & Non-Executive Chairman, Lee Chen Chong bears responsibility for the 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.

As Managing Director/Chief Executive Officer, 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.

Board Membership

Principle 4: Formal and transparent process for appointment of new directors

The Board comprises five (5) directors, two of the directors hold positions of an Executive Director while 3 are Independent and Non-Executive Directors.

Name of Directors	Position	Date of Initial Appointment	Date of Last Re-election
Lee Chen Chong	Non-executive Chairman and Independent Director	21.01.2009	21.04.2014
Foo Chek Heng	Managing Director/Chief Executive Officer	21.01.2009	21.04.2014
Foo Suay Wei*	Executive Director	26.12.2014	–
Yeo Guat Kwang	Independent Director	15.07.2009	27.04.2012
Serena Lee Chooi Li	Independent Director	13.06.2007	26.04.2013

Notes:

* *Mr. Foo Suay Wei was appointed as an Executive Director of the Company with effect from 26 December 2014.*

The Nominating Committee ("NC") comprises Yeo Guat Kwang as Chairman and Foo Chek Heng and 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 and met twice during the financial year under review.

CORPORATE GOVERNANCE

The NC's key terms of reference include:

(a) assessing the effectiveness of the Board as a whole, and as well as the contribution by each individual director to the effectiveness of the Board;

(b) making recommendations on appointment and re-nomination of directors, having regard to the director's contribution and performance;

(c) reviewing each of the director's independence annually; and

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

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 every three years.

Before making its recommendation to the Board for the re-appointment of a retiring director, the NC takes into consideration 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 Article 98 of the Company's Articles of Association, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every annual general meeting provided that all Directors shall retire from office at least once every three (3) years. Under Article 102 of the Company's Articles of Association, any new Director appointed by the Directors shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election. Under Article 99 of the Company's Articles of Association, the retiring Director shall be eligible for re-election. Accordingly, the NC has recommended Mr. Foo Suay Wei and Mr. Yeo Guat Kwang be nominated for re-election at the forthcoming AGM pursuant to Articles 102 and 98 of the Company's Articles of Association respectively.

The Board also recommended the re-appointment of Mr. Lee Chen Chong, who is retiring under Section 153(5) of the Companies Act, Chapter 50 of Singapore.

Mr. Lee Chen Chong will, upon re-election as a director of the Company, remain as the Non-Executive Chairman of the Board, the Chairman of the Audit Committee and a member of Remuneration Committee of the Company and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr. Yeo Guat Kwang will, upon re-election as a director of the Company, remain as an Independent Non-Executive Director, the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr. Foo Suay Wei will, upon re-election as a director of the Company, remain an Executive Director. Mr. Foo Suay Wei is the son of Mr. Foo Chek Heng, the Company's Managing Director and controlling shareholder and grandson of Mdm. Heng Jee Moi, who owns 100% of Salix Capital Pte Ltd, a substantial shareholder of the Company.

In making the above recommendations, the NC has reviewed and is satisfied with their contribution as directors of the Company.

CORPORATE GOVERNANCE

New directors are appointed by the Board upon the recommendation of the Nominating Committee. 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 and character, business experience and acumen.

Notwithstanding that some of the directors have multiple board representations, the 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 have other directorship in other listed companies and each of them holds only one other listed company directorship. 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 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.

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 10 of this annual report.

Board Performance
Principle 5: Formal annual assessment of the Board, Board Committees and each Director

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

i. attendance at board/committee meetings;

ii. participation at meetings; and

iii. availability for consultation and advice, when required.

The NC also assessed the effectiveness of the Board as a whole by evaluating such factors as the adequacy and size of the Board, the individual director's contribution toward the effectiveness of the Board, the Board's access of information, Board processes and accountability and communication with senior management.

CORPORATE GOVERNANCE

Access to Information
Principle 6: Complete, Adequate and Timely Information

The management provides all members of the Board with complete, adequate and timely information prior to Board meetings, and on an on-going basis. Information provided by the management to the directors includes background information or explanatory information relating to matters to be brought before the Board and copies of disclosure documents.

All directors have separate and independent access to the Company's senior management.

All directors have separate and independent access to the Company Secretary. Under the direction of the Chairman of the Board, the company secretary's responsibility 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 attends most of all Board and committee meetings.

The appointment and removal of the company secretary is a matter for the Board as a whole.

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

REMUNERATION MATTERS
Principle 7: Procedures for developing remuneration policies

The Remuneration Committee ("RC") is chaired by Serena Lee Chooi Li and comprises Mr. Yeo Guat Kwang and Mr. Lee Chen Chong as members, all of whom, including the chairperson of the RC are Non-Executive and Independent Directors.

The key terms of reference of the RC are as follow:

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

(b) 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 has been involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC met twice in FY2014.

Level and Mix of Remuneration
Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

In setting remuneration packages, the Company takes into account the pay and employment conditions of comparable companies within the same industry. The RC also seeks to ensure that the structure of remuneration packages for the Executive Directors and key executive officers are appropriate in linking rewards with performance and that is align with the interests of shareholders and promote the long-term success of the Group.

CORPORATE GOVERNANCE

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

The review of the remuneration of key executive officers takes into consideration the performance and the contributions of the key executive officers to the Company and gives due regard to the financial and business performance of the Group of which performance conditions is not pre-determined.

The Company has entered into service agreements with the Managing Director/Chief Executive Officer, 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. 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 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 an Independent Directors. Save for Director's fees, which have to be approved by the Shareholders at every annual general meeting ("AGM") the Independent Directors and Non-Executive Directors do not receive any other remuneration from the Company.

Disclosure on Remuneration

Principle 9: Disclosure on Remuneration Policy, Level and Mix

A breakdown, showing the level and mix of each individual director's remuneration payable for FY2014 is as follows:

	Directors' Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	%
$500,000 – $650,000						
Foo Chek Heng	–	63	27	10	–	**100**
Below $250,000						
Foo Suay Wei*	–	45	45	10	–	**100**
Lee Chen Chong	100	–	–	–	–	**100**
Yeo Guat Kwang	100	–	–	–	–	**100**
Serena Lee Chooi Li	100	–	–	–	–	**100**

Notes:

^ Details of the KSOS can be found on pages 21 to 22 of this annual report.

* Remuneration from the date of Mr. Foo Suay Wei's appointment as an Executive Director of the Company on 26 December 2014 up till 31 December 2014.

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 Directors. The Company is instead disclosing the remuneration of each individual Directors in the bands of $250,000.

CORPORATE GOVERNANCE

A breakdown, showing the remuneration paid to the Group's top 5 key executives (who are not Directors or the Managing Director/CEO of the Company) for FY2014 is as follows:

	Directors' Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	**%**
Below $250,000						
Heng Jee Moi	–	93	7	–	–	**100**
Dalat Kositanon	–	77	18	5	–	**100**
Goh Hwee Hiong	–	87	13	–	–	**100**
Goh Chin Hiew	–	78	18	4	–	**100**
Goh Teck Soon	–	100	–	–	–	**100**
Foo Suay Wei*	–	83	13	4	–	**100**

Notes:

^ Details of the KSOS can be found on pages 21 to 22 of this annual report.

* *Remuneration from 1 Jan 2014 to 25 December 2014 as Senior Management of the Company, prior Mr. Foo Suay Wei's appointment as an Executive Director of the Company on 26 December 2014.*

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 FY2014 is as follows:–

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

For FY2014, the total remuneration paid to the directors of the Group was $848,000 and the total remuneration paid to the top 5 key executives (who are not the Directors or the CEO) of the Group was S$780,000.

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. In FY2014, the Group has made payment of bonus upon the individual's performance conditions met.

CORPORATE GOVERNANCE

Share Option Schemes

The Koyo International (formerly known as Cyber Village) Employee Share Option Scheme ("ESOS") was approved by shareholders and adopted on 7 August 2001 and subsequently replaced by the KSOS (as defined herein). The outstanding ESOS options have expired on 21 June 2014 and accordingly, there are no further outstanding options under the ESOS.

On 25 April 2011, shareholders approved the Koyo International Employee Share Options Scheme 2011 (the "KSOS") which replaced the ESOS.

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 KSOS is administered by the Remuneration Committee.

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 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 instill 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.

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 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 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 immediate day of the grant.

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

CORPORATE GOVERNANCE

During the financial year ended 31 Dec 2014, the details of the Options granted to directors and key executives pursuant to the KSOS are as follows:

Participant	Balance as at 01.01.14	Options granted during the financial year	Options lapsed/ cancelled during financial year	Options exercised during the financial year	Balance as at 31.12.14
Directors					
Foo Chek Heng	2,865,000	–	–	–	2,865,000
Lee Chen Chong	500,000	–	–	–	500,000
Yeo Guat Kwang	500,000	–	–	–	500,000
Serena Lee Chooi Li	500,000	–	–	–	500,000
Other Staff					
Dalat Kositanon	400,000	–	–	–	400,000
Goh Hwee Hiong	400,000	–	–	–	400,000
Goh Chin Hiew	400,000	–	–	–	400,000
	5,565,000	–	–	–	5,565,000

ACCOUNTABILITIY AND AUDIT

Principle 10: Accountability

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.

The Board will update the 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.

Principle 11: Risk Management and Internal Controls

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 Director. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

CORPORATE GOVERNANCE

Internal Control

The Board is responsible for the overall internal controls framework 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.

The Company's internal auditors conduct an annual review of the effectiveness of the Company's material internal control systems including financial, operational, compliance and information technology 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/Chief Executive Officer 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 FY2014 and (ii) the Company risk management and internal control systems in place are effective as at 31 December 2014 (the "**Assurance**").

Based on the internal controls established and maintained by the Group, work performed by the internal auditor, the Assurances, 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 2014.

Principle 12: Audit Committee ("AC")

The AC comprises the AC Chairman, Lee Chen Chong and two (2) other members, Yeo Guat Kwang and Serena Lee Chooi Li, all of whom (including the chairman of the AC) are Non-Executive and Independent Directors. The AC has adopted specific written terms of reference.

The Chairman of the AC, Lee Chen Chong has spent a total of 34 years in the banking industry.Yeo Guat Kwang, who is a Member of Parliament, is currently a member of the AC. He is also the Director of Workplace Safety and Health of NTUC. Serena Lee Chooi Li, who is also a member of the AC, is a partner of CTLC Law Corporation. As members of the AC have many years of experience in legal and finance related matters, the Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC. The AC convened 3 meetings during FY2014. The AC has also met with external and internal auditors, without the presence of the Company's management, at least once in FY2014.

The key terms of reference of the AC includes:

(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;

(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.

During FY2014, the external auditors of the Company 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.

CORPORATE GOVERNANCE

During FY2014, 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 FY2014 is as follows:

Audit fees	–	$38,000
Non-audit fees	–	$Nil

There were no non-audit services fees paid to the external auditors in FY2014 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 Nexia TS Public Accounting Corporation as the auditors of the Company at the forthcoming AGM.

The Company is in compliance with Rule 712 and Rule 716 of the Catalist Rules in relation to its external auditors.

The Company has in place a whistle blowing policy whereby employees may raise concerns about possible improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow up action, all whistle blower reports can be sent to any member of AC. The members will then report to the chairman of the Audit Committee.

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.

CORPORATE GOVERNANCE

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

The AC has reviewed of the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls for FY2014.

D. Review of interested person transactions

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The AC has reviewed the interested person transactions entered into by the Company during FY2014 ("IPT"). Details of the IPT are as follows:

Name of Interested Person	**Aggregated value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	S$'000	S$'000
Reimbursement of public utility services for past years paid by Koyo Technologies Pte Ltd on behalf of the Group	145	–

Save as disclosed above, there were no other interested person transactions of S$100,000 and above during FY2014.

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

Principle 13: Internal Audit

The Company continues to engage Wensen Consulting Asia (s) Pte Ltd as the internal auditor ("IA") to perform the Company's internal audit function. The IA primarily reports directly to the AC and reports administratively to the Managing Director/Chief Executive Officer. The internal auditor has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC, on an annual basis, will assess the effectiveness of the IA by examining the scope of the IA work and its independence of areas reviewed and the internal auditor's report. The AC is satisfied that the IA function has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

The AC met with the internal auditor without the presence of management at least once during FY2014.

CORPORATE GOVERNANCE

The Internal Auditors perform detailed work to assist 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 on the recommendations made by the Internal Auditors in this respect.

COMMUNICATION WITH SHAREHOLDERS
Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Greater Shareholder Participation

In line with the continuous disclosure obligations under the relevant rules, the Board informs shareholders promptly of all major developments that may have a material impact on the Group in a timely manner. Half-year and full year results and other major developments of the Company are published through the SGXNet and/or press releases, as required by the Listing Manual. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.

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 dividends of S$0.002 in respect of FY2014 which is subject to shareholders' approval at the forthcoming AGM.

All shareholders will receive the annual report, circulars and notices of General Meetings timely. The notices are also advertised in newspapers and published via SGXNET.

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/EGM, 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.

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

The Company shall, for the time being, put all resolutions to vote by show of hands as it is of the view that voting by poll is logistically burdensome and not cost effective. The Company would adopt poll voting for its general meetings of shareholders held on after 1 August 2015.

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

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted the SGX-ST's Best Practices Guide applicable in relation to dealing in the Company's securities by its officers. The Company has informed all its officers and Directors not to deal in the Company's securities on short term considerations and whilst they are in possession of unpublished material price sensitive information during the period commencing one month before the announcement of the Company's half-year and full-year financial statements and ending on the date of the announcement of such financial results.

Non-Sponsor Fees

The Continuing Sponsor of the Company was changed from CNP Compliance Pte. Ltd. ("**CNPC**") to PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") with effect from 1 July 2014.

There were no non-sponsor fees paid to PPCF and CNPC during FY2014.

Material Contracts

There was no material contracts entered into by the Group involving the interest of the Managing Director/Chief Executive Officer, any Director, or controlling shareholder, which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.

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DIRECTORS' REPORT

for the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

Lee Chen Chong	Non-Executive and Independent Chairman
Foo Chek Heng	Executive Director
Foo Suay Wei	Executive Director (Appointed on 26 December 2014)
Yeo Guat Kwang	Non-Executive and Independent Director
Serena Lee Chooi Li	Non-Executive and Independent Director

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 30 to 34 of this report.

Directors' interests in shares or 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 31.12.2014	At 01.01.2014	At 31.12.2014	At 01.01.2014
Company				
(No. of ordinary shares)				
Foo Chek Heng	20,000,000	–	49,860,500	69,300,500
Yeo Guat Kwang	–	–	290,000	290,000

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Mr. Foo Chek Heng, by virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, is deemed to have an interest in the share capital of the Company's wholly owned subsidiaries.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Share options

(a) Koyo International Employee Share Option Scheme (the "ESOS")

On 7 August 2001, the shareholders of the Company approved the ESOS. The ESOS is administered by the Remuneration Committee which comprises its Chairman, Serena Lee Chooi Li, and members, Lee Chen Chong and Yeo Guat Kwang.

Under the rules of the ESOS, the Executive Directors of the Company, employees of the Group and associated companies are eligible to participate in the ESOS. Persons who are controlling shareholders of the Company or the associates of such controlling shareholders may also participate in the ESOS, subject to the approval of the non-controlling shareholders. The ESOS is administered by the Remuneration Committee appointed and authorised by the Directors.

The aggregate number of ordinary shares in respect of all options granted under the ESOS will not at any time exceed 15% of the issued share capital of the Company. The exercise prices of the options shall be at the discretion of the Remuneration Committee. These may be:

(i) Market Price Options which are priced equal to the average of the last dealt prices per share as indicated in the daily official list or any publication published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the grant of the relevant option (the "Market Price"); or

(ii) Incentive Options which are priced at a discount to the Market Price, subject to a maximum discount of 20% to the Market Price.

The exercise period of the Market Price Options commences after the first anniversary of the date of grant of the options while the exercise period for the Incentive Options commences after the second anniversary of the date of the grant. Options granted to executive employees of the Group shall expire on the tenth anniversary of the date of grant of the options while the options granted to non-executive employees of the Group shall expire on the fifth anniversary of the date of grant.

The Company offered 6,230,000 Market Price Options to the Executive Directors and employees in May 2003.

The Company offered 6,206,000 options (3,103,000 Market Price Options and 3,103,000 Incentive Options granted at a discount of 14.8%) to the Executive Directors and employees in June 2004.

After the disposal of subsidiaries on 21 January 2009, all the share options granted to non-executive employees of the subsidiaries lapsed at the date except for the share options granted to former director of the Company, Law Kam Kuan which has lapsed during the financial year.

No options have been granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of SGX-ST).

No participant under the ESOS has received 5% or more of the total number of share options available under the ESOS.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Share options (cont'd)

(b) Effect of the completion of the Reverse Take Over ("RTO") on share options

The completion of the RTO transaction on 21 January 2009 resulted in a 4-for-1 share consolidation and the subscription price for the shares and/or number of shares of the unexercised option was adjusted by the Remuneration Committee overseeing the administration of the ESOS to give each participant to the ESOS, the same proportion of the equity capital of the Company as that to which the participant was previously entitled.

Accordingly, upon completion of the RTO transaction:

(i) The exercise price of each outstanding share option should be adjusted such that it would be four times the original exercise price of each such outstanding share option, as set out below:

Share Option granted	Adjustment in exercise price
ESOS (Market Price Options) – June 2004	from $0.27 to $1.08
ESOS (Incentive Options) – June 2004	from $0.23 to $0.92

(ii) The number of shares comprised in each outstanding share option would be reduced by the same proportion as the shares under the share consolidation, fractions to be disregarded, as set out below:

Share Option granted	Adjustment in no. of shares
ESOS (Market Price Options) – June 2004	from 63,000 to 15,750
ESOS (Incentive Options) – June 2004	from 63,000 to 15,750

(c) Effect of the completion of the disposal of subsidiaries ("Management Buy Out" or "MBO") on share options

On completion of the MBO on 21 January 2009, the subsidiaries of Cyber Village Holdings Limited were no longer part of the group. Hence, any employees of the subsidiaries and associated companies of Cyber Village Holdings Limited were not employees of the Group.

Under the rules of the ESOS, an option, to the extent unexercised, shall immediately lapse without any claim against the Company, amongst other things, upon a Participant ceasing to be in the full-time employment of the Group or an associated company for any reason whatsoever. The remaining share options of 31,500 granted to former executive director of the Company, Law Kam Kuan has lapsed during the financial year.

No further options will be issued under the ESOS, any further share based compensation will be issued under the Koyo International Employee Share Options Scheme 2011.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Share options (cont'd)

(d) 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 was approved to replace the ESOS and 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, Lee Chen Chong 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 of the Company on 15 Dec 2011 ("2011 Options").

On 23 January 2013, the Company granted options totalling 400,000 ordinary shares pursuant to the KSOS ("2013 Options"). The Options were granted at a discount. The exercise price of the options granted is $0.053 per share and the exercise period is from 23 January 2015 to 22 January 2018. The total fair value of the 2013 Options granted is estimated to be $8,000 using the Black Scholes Valuation Model.

There were no options granted during the financial year to subscribe for unissued shares of the Company.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Share options (cont'd)

(e) Share Options Outstanding

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

		No. of Unissued Ordinary Shares under Options as at 31.12.2014				
Type of shares options	**Date of grant**	**Balance as at 1.1.2014**	**Granted/ (exercised)/ (lapsed)**	**Balance as at 31.12.2014**	**Exercise price per share**	**Exercise period**
2004 ESOS – Market Price Options	June 2004	15,750	(15,750)	–	1.08*	21.06.05 – 21.06.14
2004 ESOS – Incentive Options	June 2004	15,750	(15,750)	–	0.92*	21.06.06 – 21.06.14
2011 Options – KSOS	December 2011	5,165,000	–	5,165,000	0.04	15.12.13 – 14.12.16
2013 Options – KSOS	January 2013	400,000	–	400,000	0.053	23.01.15 – 22.01.18
		5,596,500	(31,500)	5,565,000		

Details of the Market Price Options and Incentive Options to subscribe for ordinary shares of the Company granted to former Executive Director of the Group pursuant to the ESOS are as follows:

Name of participant	Exercise period	Options granted during the financial year	Aggregate options granted since commencement of ESOS to end of financial year	Aggregate options exercised since commencement of ESOS to end of financial year	Aggregate options lapsed since commencement of ESOS to end of financial year	Aggregate options outstanding as at end of financial year	Exercise price
							$
Law Kam Kuan (resigned on 11 July 2007)	2005 – 2014	–	15,750*	–	(15,750)*	–	1.08*
Law Kam Kuan (resigned on 11 July 2007)	2006 – 2014	–	15,750*	–	(15,750)*	–	0.92*
Total		–	31,500	–	(31,500)	–	

* Share options consolidated and exercise price adjusted after the completion of the RTO and resulted in a 4-for-1 share consolidation.

Share options (cont'd)

(e) Share Options Outstanding (cont'd)

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

Name of participants	Exercise period	Options granted during the financial year	Aggregate options granted since commencement of KSOS to end of financial year	Aggregate options exercised since commencement of KSOS to end of financial year	Aggregate options lapsed since commencement of KSOS to end of financial year	Aggregate options outstanding as at end of financial year	Exercise price
							$
Foo Chek Heng – Executive director	2013 – 2016	–	2,865,000	–	–	2,865,000	0.04
Lee Chen Chong – Non-executive chairman	2013 – 2016	–	500,000	–	–	500,000	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
Total		–	5,565,000	–	–	5,565,000	

(f) Options to take up unissued shares

During the financial year, there were no shares of the Company and or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Audit committee

The Audit Committee (the "AC") at the end of the financial year comprises the following members:

Lee Chen Chong (Chairman)
Yeo Guat Kwang
Serena Lee Chooi Li

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

The AC met 3 times in the financial year and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. 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 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 and internal auditors;
- The half yearly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;
- The effectiveness of the Company's material internal controls, including financial, operational and compliance and information technology controls via reviews carried out by the internal auditor;
- The quality of work performed by auditors;
- The legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- The cost effectiveness and the independence and objectivity of the independent auditor;
- The nature and extent of non-audit services provided by the independent auditor;
- The reports of actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- The interested person transactions in accordance with the requirements of the SGX – ST's Listing Manual.

The AC has met with internal and independent auditors without the presence of the Company's management at least once a year.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Foo Chek Heng
Director

Lee Chen Chong
Director

Singapore

14 April 2015

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2014

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 40 to 82 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Foo Chek Heng
Director

Lee Chen Chong
Director

Singapore

14 April 2015

INDEPENDENT AUDITOR'S REPORT

to the Members of Koyo International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Koyo International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 82, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT
to the Members of Koyo International Limited

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 subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Loh Hui Nee
Appointed since financial year ended 31 December 2012

Singapore

14 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

		Group	
		2014	2013
	Note	$'000	$'000
Revenue	4	20,321	15,147
Cost of construction		(14,958)	(10,305)
Gross profit		5,363	4,842
Other income	7	166	223
Expenses			
– Selling and distribution		(117)	(135)
– Administrative		(3,277)	(3,454)
– Other operating		(69)	(417)
– Finance	8	(1)	(2)
Profit before income tax		2,065	1,057
Income tax expense	9	(154)	(87)
Net profit		1,911	970
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains	21(b)(ii)	(28)	4
– Reclassification	21(b)(ii)	–	(24)
Other comprehensive loss, net of tax		(28)	(20)
Total comprehensive income		1,883	950
Profit attributable to:			
Equity holders of the Company		1,911	970
Total comprehensive income attributable to:			
Equity holders of the Company		1,883	950
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	10(a)	1.00	0.51
– Diluted	10(b)	0.97	0.49

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

BALANCE SHEETS

As at 31 December 2014

		Group			Company	
	Note	31.12.2014 $'000	31.12.2013 $'000 (Restated)	1.1.2013 $'000	31.12.2014 $'000	31.12.2013 $'000
ASSETS						
Current assets						
Cash and cash equivalents	11	15,708	11,237	12,498	2,561	2,335
Trade and other receivables	13	6,868	10,791	4,528	918	835
Inventories	14	–	2	2	–	–
		22,576	22,030	17,028	3,479	3,170
Non-current assets						
Available-for-sale financial assets	12	50	78	204	–	–
Investments in subsidiaries	16	–	–	–	27,950	26,350
Property, plant and equipment	17	136	229	262	20	61
		186	307	466	27,970	26,411
Total assets		22,762	22,337	17,494	31,449	29,581
LIABILITIES						
Current liabilities						
Trade and other payables	18	5,240	6,504	2,699	2,097	366
Finance lease liabilities	19	12	22	21	12	22
Current income tax liabilities		184	73	17	–	–
		5,436	6,599	2,737	2,109	388
Non-current liabilities						
Finance lease liabilities	19	–	12	34	–	12
Total liabilities		5,436	6,611	2,771	2,109	400
NET ASSETS		17,326	15,726	14,723	29,340	29,181
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	20	4,169	4,169	4,169	39,764	39,764
Other reserves	21	(122)	(98)	(131)	111	112
Retained profits/(accumulated losses)		13,279	11,655	10,685	(10,535)	(10,695)
Total equity		17,326	15,726	14,723	29,340	29,181

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Note	Attributable to equity holders of the Company			
		Share capital $'000	Other reserves $'000	Retained profits $'000	Total equity $'000
2014					
Beginning of financial year		4,169	(98)	11,655	15,726
Total comprehensive (loss)/income for the year		–	(28)	1,911	1,883
Employee share option scheme					
– Value of employee services	21	–	4	–	4
Dividend relating to 2013 paid	23	–	–	(287)	(287)
End of financial year		4,169	(122)	13,279	17,326
2013					
Opening balance at 1 Jan 2013, as previously reported		4,169	(131)	10,830	14,868
Prior year adjustments	29	–	–	(145)	(145)
Restated opening balance as at 1 Jan 2013		4,169	(131)	10,685	14,723
Total comprehensive (loss)/income for the year		–	(20)	970	950
Employee share option scheme					
– Value of employee services	21	–	53	–	53
End of financial year		4,169	(98)	11,655	15,726

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)
Cash flows from operating activities			
Net profit		1,911	970
Adjustments for:			
– Income tax expense	9	154	87
– Employee share option expense	6	4	53
– Depreciation of property, plant and equipment	5	93	139
– Allowance for impairment of trade receivables	5	27	360
– Loss on disposal of property, plant and equipment	5	3	1
– Net gain on disposal of available-for-sale financial assets	7	–	(44)
– Interest income	7	(97)	(74)
– Finance expenses	8	1	2
		2,096	1,494
Change in working capital:			
– Inventories		2	–
– Trade and other receivables		3,899	(6,661)
– Trade and other payables		(1,264)	3,805
Cash generated from/(used in) operations		4,733	(1,362)
Income tax paid		(43)	(31)
Net cash generated from/(used in) operating activities		4,690	(1,393)
Cash flows from investing activities			
Additions to property, plant and equipment	17	(3)	(107)
Purchases of available-for-sale financial assets	12	–	(60)
Proceeds from disposal of available-for-sale financial assets		–	210
Interest received		94	112
Net cash generated from investing activities		91	155
Cash flows from financing activities			
Fixed deposits pledged to banks		(5)	(6)
Repayment of finance lease liabilities		(22)	(21)
Interest paid		(1)	(2)
Dividends paid to equity holders of the Company	23	(287)	–
Net cash used in financing activities		(315)	(29)
Net increase/(decrease) in cash and cash equivalents		4,466	(1,267)
Cash and cash equivalents			
Beginning of financial year		10,545	11,812
End of financial year	11	15,011	10,545

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 55 Ubi Avenue 3, #04-01, Singapore 408864.

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 16 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 2014

On 1 January 2014, 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 112 Disclosures of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries.

Other than the additional disclosures, the application of FRS 112 has not had any material impact on the amounts recognised in the consolidated financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.2 Revenue recognition (cont'd)

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:

(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 balance sheet date.

(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.

(iii) Supply of construction materials

Revenue from supply of construction materials are recognised upon the transfer of significant risk and rewards of ownership of the construction materials to the customer, usually on delivery of construction materials.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

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 on 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.

Non-controlling interests comprise the portion of a subsidiary's 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 subsidiary, 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 subsidiary 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 subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.4 Group accounting (cont'd)

(a) Subsidiaries (cont'd)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary 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.

(b) Reverse acquisition

The acquisition of the Acquired Group 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, statement of changes in equity and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

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.

(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 equipments 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 each balance sheet date. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

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 balance sheet 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.

At the balance sheet date, 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 cost to sell 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

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.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables 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 each balance sheet date.

(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 balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 13) and "Cash and cash equivalents" (Note 11) 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 balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(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

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.

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 each balance sheet date 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(e) Impairment (cont'd)

(i) Loans and receivables (cont'd)

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 addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

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 of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

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 at the balance sheet date. 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

(a) When the Group is the lessee:

The Group leases motor vehicles under finance leases and office premises under operating leases from non-related parties.

(i) 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.

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 finance lease liabilities 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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.15 Inventories

Inventories comprise supplies to be consumed in the rendering of services. Cost is determined using the first-in, first-out method. Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.16 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 balance sheet date.

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 balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, 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.

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.18 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 each balance sheet date, 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 balances 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 entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (cont'd)

2.19 Currency translation (cont'd)

(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 balance sheet date are recognised in profit or loss.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains/(losses) – net", 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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 accounting estimates and assumptions

(a) Construction contracts

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Critical accounting estimates, assumptions and judgements (cont'd)

3.1 Critical accounting estimates and assumptions (cont'd)

(a) Construction contracts (cont'd)

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 balance sheet date had been higher/lower by 5% from management's estimates, the Group's profit would have been higher/lower by $425,000 (2013:$1,694,000).

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's profit would have been lower/higher by $309,000 (2013:$1,198,000).

(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 2014, management has made adequate allowance for impairment of trade receivables of $2,176,000 (2013: $2,149,000). The carrying amounts of trade receivables at the end of the reporting year were $6,670,000 (2013: $10,511,000).

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 $218,000 (2013: $215,000).

4. Revenue

	Group	
	2014	**2013**
	$'000	**$'000**
Construction contracts	11,485	11,126
Facilities management	7,009	4,021
Supply of construction materials	1,827	–
	20,321	15,147

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. Expenses by nature

	Group 2014 $'000	Group 2013 $'000
Fees on audit services paid/payable to:		
– auditor of the Company	38	39
– other auditors	5	17
Purchases of construction material	4,734	5,904
Subcontractor charges	8,923	4,152
Ocean freight charges	613	–
Consultant and agent fees	132	–
Stevedoring charges	259	–
Loss on disposal of property, plant and equipment	3	1
Depreciation of property, plant and equipment (Note 17)	93	139
Allowance for impairment of trade receivables (Note 26(b)(ii))	27	360
Employee compensation (Note 6)	2,858	2,837
Professional fee	147	224
Rental expense on operating leases	126	123
Upkeep of motor vehicles and transportation	87	90
Other	376	425
Total cost of construction, selling and distribution, administrative and other operating expenses	18,421	14,311

6. Employee compensation

	Group 2014 $'000	Group 2013 $'000
Wages, salaries and short-term employee benefits	2,714	2,614
Employer's contribution to Central Provident Fund	140	170
Employee share option expense (Note 21(b)(i))	4	53
	2,858	2,837

7. Other income

	Group 2014 $'000	Group 2013 $'000
Interest income		
– Bank deposits	97	74
Government grant		
– SME cash grant	15	5
– PIC grant	50	–
Insurance claim for stolen construction materials	–	85
Net gain on disposal of available-for-sale financial assets	–	44
Other	4	15
	166	223

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. Other income (cont'd)

The Small and Medium Enterprise ("SME") cash grant was introduced in the Singapore Budget 2012 to provide one-off support for companies that face increased business costs. The amount a company will receive depends on the fulfilment of certain conditions under the scheme.

The Productivity and Innovation Credit ("PIC") Scheme was first introduced in the Singapore Budget 2010, to encourage business to invest in innovation and to increase productivity. The scheme was enhanced and simplified in the Singapore Budget 2012 whereby businesses that invest in qualifying activities under PIC scheme will receive a PIC Bonus. The amount a Company will receive depends on the fulfilment of certain conditions under the scheme.

8. Finance expenses

	Group	
	2014	**2013**
	$'000	**$'000**
Interest expense		
– Finance lease liabilities	1	2

9. Income taxes

(a) Income tax expense

	Group	
	2014	**2013**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax	187	73
– (Over)/under provision in prior financial years		
Current income tax	(33)	14
	154	87

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	
	2014	**2013**
	$'000	**$'000**
Profit before income tax	2,065	1,057
Tax calculated at tax rate of 17% (2013: 17%)	351	180
Effects of:		
– expenses not deductible for tax purposes	16	21
– income not subject to tax	(50)	(17)
– Singapore stepped income exemption	(59)	(27)
– tax incentives	(49)	(65)
– utilisation of previously unrecognised net deferred tax assets	(24)	(19)
– others	2	–
Tax charge	187	73

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. Income taxes (cont'd)

(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 Group has unrecognised tax losses of $1,006,000 (2013: $1,386,000) at the balance sheet date 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.

10. 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 during the financial year.

	Group	
	2014	**2013**
Net profit attributable to equity holders of the Company ($'000)	1,911	970
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	191,058	191,058
Basic earnings per share (cents per share)	1.00	0.51

(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	
	2014	**2013**
Net profit attributable to equity holders of the Company ($'000)	1,911	970
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	191,058	191,058
Adjustments for ('000)		
– Share options	5,565	5,540
	196,623	196,598
Diluted earnings per share (cents per share)	0.97	0.49

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank and on hand	8,271	4,877	721	523
Short-term bank deposits	7,437	6,360	1,840	1,812
	15,708	11,237	2,561	2,335

Short-term bank deposits of $697,000 (2013: $692,000) 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.

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

	Group	
	2014	2013
	$'000	$'000
Cash and cash equivalents (as above)	15,708	11,237
Less: Bank deposits pledged	(697)	(692)
Cash and cash equivalents per consolidated statement of cash flows	15,011	10,545

12. Available-for-sale financial assets

	Group	
	2014	2013
	$'000	$'000
Beginning of financial year	78	204
Additions	–	60
Fair value (losses)/gains recognised in other comprehensive income (Note 21(b)(ii))	(28)	4
Disposals	–	(190)
End of financial year	50	78
Available-for-sale financial assets are analysed as follows:		
Listed securities		
– equity securities – Singapore	50	78

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000
Trade receivables				
– Non-related parties	3,671	5,066	–	2
– Subsidiaries	–	–	573	646
	3,671	5,066	573	648
Less: Allowance for impairment of receivables				
– non-related parties (Note 26(b)(ii))	(1,112)	(1,085)	–	–
Trade receivables – net	2,559	3,981	573	648
Construction contracts				
– Due from customers (Note 15)	4,371	6,928	–	–
– Retentions (Note 15)	804	666	–	–
	5,175	7,594	–	–
Less: Allowance for impairment of receivable				
– non-related parties (Note 26(b)(ii))	(1,064)	(1,064)	–	–
Construction contracts – net	4,111	6,530	–	–
Other receivables				
– Non-related parties	133	134	10	17
– Subsidiary	–	–	330	165
	133	134	340	182
Deposits	60	63	–	–
Prepayments	5	83	5	5
	6,868	10,791	918	835

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

14. Inventories

	Group	
	2014	2013
	$'000	$'000
Consumables	–	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Construction contracts

	Group 2014 $'000	Group 2013 $'000 (Restated)
Construction contract work-in-progress:		
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	35,685	22,125
Less: Progress billings	(30,510)	(14,531)
	5,175	7,594
Presented as:		
Due from customers on construction contracts (Note 13)	4,371	6,928
Retentions on construction contracts (Note 13)	804	666

16. Investments in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Equity investments at cost		
Beginning of financial year	26,350	26,350
Additions	1,600	–
End of financial year	27,950	26,350

The Group had the following subsidiaries as at 31 December 2014 and 2013:

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2014 %	Proportion of ordinary shares held by the Group 2013 %
Held by the Company				
Koyo Engineering (S.E. Asia) Pte. Ltd.(1)	Providing integrated mechanical and electrical engineering (M&E) 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(3)
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 (2)	Environmental engineering work	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Investments in subsidiaries (cont'd)

(1) Audited by Nexia TS Public Accounting Corporation.

(2) Audited by Lee S F & Co, Singapore.

(3) On 30 December 2014, the Company acquired 100% equity interest in AVSC Technologies Pte. Ltd. for a purchase consideration of $1.6 million from its indirect wholly-owned subsidiary, Koyo M&E Pte. Ltd..

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for one of its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

17. Property, plant and equipment

	Group					
	Computers $'000	Office equipment and tools $'000	Furniture and fittings $'000	Motor vehicles $'000	Renovation $'000	Total $'000
2014						
Cost						
Beginning of financial year	120	91	102	641	4	958
Additions	–	3	–	–	–	3
Disposals	–	–	–	(30)	–	(30)
End of financial year	120	94	102	611	4	931
Accumulated depreciation						
Beginning of financial year	120	81	54	473	1	729
Depreciation charge (Note 5)	–	5	13	74	1	93
Disposals	–	–	–	(27)	–	(27)
End of financial year	120	86	67	520	2	795
Net book value						
End of financial year	–	8	35	91	2	136
2013						
Cost						
Beginning of financial year	97	85	44	678	11	915
Additions	39	6	58	–	4	107
Disposals	(16)	–	–	(37)	(11)	(64)
End of financial year	120	91	102	641	4	958
Accumulated depreciation						
Beginning of financial year	97	75	42	428	11	653
Depreciation charge (Note 5)	39	6	12	81	1	139
Disposals	(16)	–	–	(36)	(11)	(63)
End of financial year	120	81	54	473	1	729
Net book value						
End of financial year	–	10	48	168	3	229

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Property, plant and equipment (cont'd)

	Company	
	2014 Motor vehicles $'000	2013 Motor vehicles $'000
Cost		
Beginning and end of financial year	203	203
Accumulated depreciation		
Beginning of financial year	142	101
Depreciation charge	41	41
End of financial year	183	142
Net book value		
End of financial year	20	61

The carrying amount of motor vehicles held under finance leases is $20,000 (2013: $61,000) at the balance sheet date.

18. Trade and other payables

	Group		Company	
	2014 $'000	2013 $'000 (Restated)	2014 $'000	2013 $'000
Trade payables				
– Non-related parties	3,142	4,240	1	17
Other payables				
– Non-related parties	23	26	–	–
– Subsidiary	–	–	1,720	–
Accruals for operating expenses	2,075	2,238	376	349
	5,240	6,504	2,097	366

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

Accruals for operating expenses include cost accrued for projects of $1,333,000 (2013: $1,461,000) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. Finance lease liabilities

The Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clause but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group and Company	
	2014	2013
	$'000	$'000
Minimum lease payments due		
– Not later than one year	12	23
– Between one year and five years	–	12
	12	35
Less: Future finance charges	–	(1)
Present value of finance lease liabilities	12	34

The present value of finance lease liabilities are analysed as follows:

	Group and Company	
	2014	2013
	$'000	$'000
Not later than one year	12	22
Later than one year		
– Between one year and five years	–	12
	12	34

Finance lease liabilities of the Group and the Company are effectively secured over the motor vehicles (Note 17), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

20. Share capital

	2014		2013	
	No. of ordinary shares	Amount $'000	No. of ordinary shares	Amount $'000
Group				
Beginning and end of financial year	191,058,497	4,169	191,058,497	4,169
Company				
Beginning and end of financial year	191,058,497	39,764	191,058,497	39,764

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Share capital (cont'd)

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 and/or the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the balance sheets, consolidated statement of comprehensive income, statement of changes in equity and 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 (Note 2.4).

(a) Share Options – Koyo International Employee Share Option Scheme (the "ESOS")

On 7 August 2001, the shareholders of the Company approved the ESOS. The ESOS is administered by the Remuneration Committee which comprises its Chairman, Serena Lee Chooi Li, and members, Lee Chen Chong and Yeo Guat Kwang.

Under the rules of the ESOS, the Executive Directors of the Company and employees of the Group and associated companies are eligible to participate in the ESOS. Persons who are controlling shareholders of the Company or the associates of such controlling shareholders may also participate in the ESOS, subject to the approval of the non-controlling shareholders. The ESOS is administered by the Remuneration Committee appointed and authorised by the Directors.

The aggregate number of ordinary shares in respect of all options granted under the ESOS will not at any time exceed 15% of the issued share capital of the Company. The exercise prices of the options shall be at the discretion of the Remuneration Committee. These may be:

(i) Market Price Options which are priced equal to the average of the last dealt prices per share as indicated in the daily official list or any publication published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the grant of the relevant option (the "Market Price"); or

(ii) Incentive Options which are priced at a discount to the Market Price, subject to a maximum discount of 20% to the Market Price.

The exercise period of the Market Price Options commences after the first anniversary of the date of grant of the options while the exercise period for the Incentive Options commences after the second anniversary of the date of the grant. Options granted to executive employees of the Group shall expire on the tenth anniversary of the date of grant of the options while the options granted to non-executive employees of the Group shall expire on the fifth anniversary of the date of grant.

The Company offered 6,230,000 Market Price Options to the Executive Directors and employees in May 2003.

The Company offered 6,206,000 options (3,103,000 Market Price Options and 3,103,000 Incentive Options granted at a discount of 14.8%) to the Executive Directors and employees in June 2004.

After the disposal of subsidiaries on 21 January 2009, all the share options granted to non-executive employees of the subsidiaries lapsed at the date except for the share options granted to former director of the Company, Law Kam Kuan which has lapsed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Share capital (cont'd)

(b) 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 was approved to replace the ESOS and 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, Lee Chen Chong 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.

On 23 January 2013, the Company granted options totalling 400,000 ordinary shares pursuant to the KSOS ("2013 Options"). The Options were granted at a discount. The exercise price of the options granted is $0.053 per share and the exercise period is from 23 January 2015 to 22 January 2018. The total fair value of the 2013 Options granted is estimated to be $8,000 using the Black Scholes Valuation Model.

There were no options granted during the financial year to subscribe for unissued shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Share capital (cont'd)

(c) Share Options Outstanding

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

	No. of Unissued Ordinary Shares under Options						
	Balance as at 1.1.2014	Granted during financial year	Lapsed during financial year	Exercised during financial year	Balance as at 31.12.2014	Exercise price	Exercise period
Group and Company							
2014							
2004 ESOS – Market Price Options	15,750	–	(15,750)	–	–	$1.08*	21.06.05 – 21.06.14
2004 ESOS – Incentive Options	15,750	–	(15,750)	–	–	$0.92*	21.06.06 – 21.06.14
2011 Options – KSOS	5,165,000	–	–	–	5,165,000	$0.04	15.12.13 – 14.12.16
2013 Options – KSOS	400,000	–	–	–	400,000	$0.053	23.01.15 – 22.01.18
	5,596,500	–	(31,500)	–	5,565,000		
2013							
2004 ESOS – Market Price Options	15,750	–	–	–	15,750*	$1.08*	21.06.05 – 21.06.14
2004 ESOS – Incentive Options	15,750	–	–	–	15,750*	$0.92*	21.06.06 – 21.06.14
2011 Options – KSOS	5,165,000	–	–	–	5,165,000	$0.04	15.12.13 – 14.12.16
2013 Options – KSOS	–	400,000	–	–	400,000	$0.053	23.01.15 – 22.01.18
	5,196,500	400,000	–	–	5,596,500		

* Share options consolidated and exercise price adjusted after the completion of the RTO and resulted in a 4-for-1 share consolidation.

Out of the unexercised options for 5,565,000 (2013: 5,596,500) shares, options for 5,165,000 (2013: 5,196,500) shares are exercisable at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Share capital (cont'd)

(c) Share Options Outstanding (cont'd)

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.

21. Other reserves

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Composition:				
Employee share option reserve	111	107	111	112
Fair value reserve	(231)	(203)	–	–
Premium paid on acquisition of non-controlling interests	(2)	(2)	–	–
	(122)	(98)	111	112
(b) Movements:				
(i) Employee share option reserve				
Beginning of financial year	107	54	112	59
Employee share option scheme – value of employee services (Note 6)	4	53	4	53
Reversal for share options lapsed	–	–	(5)	–
End of financial year	111	107	111	112
(ii) Fair value reserve				
Beginning of financial year	(203)	(183)	–	–
Available-for-sale financial assets				
– Fair value (losses)/gain (Note 12)	(28)	4	–	–
– Reclassification	–	(24)	–	–
End of financial year	(231)	(203)	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. Other reserves (cont'd)

(b) Movements: (cont'd)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
(iii) Premium paid on acquisition of non-controlling interests				
Beginning and end of financial year	(2)	(2)	–	–

Other reserves are non-distributable.

22. Retained profits

Retained profits of the Group are distributable.

23. Dividends

	Group	
	2014	**2013**
	$'000	**$'000**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 0.15 cents per share (2013: Nil)	287	–

At the forthcoming Annual General Meeting on 29 April 2015, a final dividend of 0.2 cents per share amounting to approximately $382,000 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 2015.

24. Contingencies

Group

As previously disclosed in financial year ended 31 December 2013 Annual Report, there is a claim involving a subsidiary of the Group and its vendor for an amount of $62,000. The management on the advice of their legal counsel is of the view that the claim is without merit. The subsidiary has refuted the claim and filed a counter-claim of $216,000 against the vendor for defaulting on their obligations under the contract.

At the date of this report, the trial proceeding is in process. The management is of the opinion that no contingent liabilities and assets should be recognised in respect for the financial year ended 31 December 2014 as the probability of any economic inflow and outflow cannot be reliably ascertained at this juncture.

Company

The Company has issued corporate guarantees amounting to $2.7 million (2013: $2.7 million) to banks for banking facilities of its subsidiaries. These banking facilities of the subsidiaries utilised amounted to $860,000 (2013: $855,000) as at the balance sheet date.

The Company has evaluated the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regard to the subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. Operating lease commitments

The Group leases office spaces under non-cancellable operating lease agreements.

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

	Group	
	2014	**2013**
	$'000	**$'000**
Not later than one year	96	96
Between one year and five years	24	120

26. 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 are established to set out its overall business strategies, tolerance of risk and general risk management philosophy. Risk management policies are reviewed regularly to reflect changes in market conditions and Group's activities.

(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.

(ii) Price risk

The Group is exposed to equity securities price risk arising from its equity investments which are classified as available-for-sale financial assets. These securities are listed in Singapore. 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% (2013:10%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income will be $4,000 (2013: $6,500) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(a) Market risk(cont'd)

(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.

The Group is not exposed to changes in interest rates for fixed rate finance lease liabilities.

(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 receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from such default.

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	
	2014	**2013**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiaries' banking facilities	2,700	2,700

As at balance sheet date, banking facilities utilised by the subsidiary to which the Company has provided a corporate guarantee is $860,000 (2013: $855,000).

The trade receivables of the Group comprise one debtor (2013: two debtors) that individually represented 10% of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
By types of customers				
– Subsidiary	–	–	573	646
– Non-related parties	2,559	3,981	–	2
	2,559	3,981	573	648

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 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*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Past due over 60 days	624	1,384	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

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

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	
	2014	**2013**
	$'000	**$'000**
Trade receivables – gross amount	1,112	1,085
Less: Allowance for impairment (Note 13)	(1,112)	(1,085)
	–	–
Construction contracts:		
– Due from customers – gross amount	767	767
– Retentions – gross amount	297	297
Less: Allowance for impairment (Note 13)	(1,064)	(1,064)
	–	–
Total	–	–
Beginning of financial year	2,149	1,887
Allowance made (Note 5)	27	360
Allowance utilised	–	(98)
End of financial year	2,176	2,149

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 cash equivalents to enable them to meet their normal operating commitments. The Group also has adequate amount of committed stand-by credit facilities which can be utilised as necessary. At the balance sheet 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 11.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

	Contractual undiscounted cash flows		
	Less than 1 year $'000	Between 1 and 5 years $'000	Total $'000
Group			
At 31 December 2014			
Trade and other payables	5,240	–	5,240
Finance lease liabilities	12	–	12
At 31 December 2013			
Trade and other payables	6,504	–	6,504
Finance lease liabilities	22	12	34
Company			
At 31 December 2014			
Trade and other payables	2,097	–	2,097
Finance lease liabilities	12	–	12
Financial guarantee contracts	10	850	860
At 31 December 2013			
Trade and other payables	366	–	366
Finance lease liabilities	22	12	34
Financial guarantee contracts	5	850	855

(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. 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 new borrowings or sell assets to increase the working capital.

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net assets	17,326	15,726	29,340	29,181

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(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 (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	
2014	50
2013	78

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The carrying amount less impairment provision 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. The carrying amounts of current finance lease liabilities approximate their fair values.

(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 12 to the financial statements, except for the following:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loans and receivables	22,571	21,945	3,474	3,165
Financial liabilities at amortised cost	5,252	6,538	2,109	400

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

27. 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 2014, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from the balance sheet date and disclosed in Notes 13 and 18 to the financial statements.

b) Key management remuneration

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

	Group	
	2014	**2013**
	$'000	**$'000**
Directors' fees	120	120
Salaries and short-term employee benefits	1,762	1,571
Employer's contribution to Central Provident Fund	92	105
Employee share option expense	4	53
	1,978	1,849

The above includes total remuneration to directors of the Company and its subsidiaries amounting to $848,000 (2013: $867,000).

28. 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 four operating divisions – Mechanical Engineering, Electrical Engineering and Facilities Management and Supply of Construction Materials.

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 libraries.

(iv) Supply of Construction Materials – supply of essential construction materials, including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Segment information (cont'd)

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	Supply of Construction Materials $'000	Total $'000
2014					
Revenue					
Revenue from external parties	11,479	6	7,009	1,827	20,321
Gross profit	4,439	(4)	808	120	5,363
Segment assets	4,963	275	1,422	–	6,660
Segment liabilities	2,448	145	1,753	–	4,346
2013					
Revenue					
Revenue from external parties	11,162	(36)	4,021	–	15,147
Gross profit	4,519	(209)	532	–	4,842
Segment assets	8,409	355	1,741	–	10,505
Segment liabilities	4,014	161	1,221	–	5,396

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 2014 $'000	Group 2013 $'000
Gross profit for reportable segments	5,363	4,842
Other income	166	223
Selling and distribution expenses	(117)	(135)
Administrative expenses	(3,277)	(3,454)
Other operating expenses	(69)	(417)
Finance expenses	(1)	(2)
Profit before income tax	2,065	1,057

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Segment information (cont'd)

(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 and inventory but do not include cash and cash equivalents, other receivables, available-for-sale financial assets and property, plant and equipment.

	Group	
	2014	**2013**
	$'000	**$'000**
		(Restated)
Segments' assets for reportable segments	6,660	10,505
Other assets		
Unallocated:		
Cash and cash equivalents	15,708	11,237
Other receivables	208	288
Available-for-sale financial assets	50	78
Property, plant and equipment	136	229
	22,762	22,337

(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	
	2014	**2013**
	$'000	**$'000**
		(Restated)
Segments' liabilities for reportable segments	4,346	5,396
Other liabilities		
Unallocated:		
Other payables	894	1,108
Current income tax liabilities	184	73
Finance lease liabilities	12	34
	5,436	6,611

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

Revenue of approximately $8,604,000 (2013: $9,184,000) are derived from a single external customer. This revenue is attributable to the mechanical engineering segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. Prior year adjustments

The financial statements for financial year ended 31 December 2012 and 2013 have been restated as the Group had inadvertently understated its retained profits for the prior financial years due to utilities expenses not being taken up in prior financial years. As a result, certain line items have been amended on the face of the balance sheet, consolidated statement of changes to equity and consolidated cash flow statement. The restatements are as follows:

	As previously reported $'000	As restated $'000	Adjustments for understatement $'000
2013			
Retained profits	11,800	11,655	(145)*
Trade and other payables	4,898	5,043	145
2012			
Retained profits	10,830	10,685	(145)*
Trade and other payables	2,554	2,699	145

* Reimbursement of utilities expenses for past years paid by Koyo Technologies Pte. Ltd. on behalf of the Group. Mr. Foo Chek Heng is a director and 50% shareholder of Koyo Technologies Pte. Ltd.

30. Reclassification of comparatives

The Group changed the classification of certain assets and liabilities to better reflect the specific nature of the balances. There is no impact on the Group's consolidated balance sheet, the consolidated statement of comprehensive income, statement of changes in equity and earnings per share of the Group at the beginning of the preceding period, accordingly no restatement of the related information is presented. Effects on the Group's consolidated balance sheet and statement of cash flows for the financial year ended 31 December 2013 are as follows:

	Balances as previously reported $'000	Balances as restated $'000	Prior year reclassification $'000
2013			
Group			
Consolidated balance sheet			
Trade and other receivables	9,330	10,791	1,461
Trade and other payables	5,043	6,504	1,461
Consolidated statement of cash flows			
Cash flow from operating activities			
Trade and other receivables	(5,200)	(6,661)	1,461
Trade and other payables	2,344	3,805	1,461

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

- Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 102: Share-based payment (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 103: Business Combinations (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 108: Operating Segments (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 16: Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 24: Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 38: Intangible Assets (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 113: Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 40: Investment Property (effective for annual periods beginning on or after 1 July 2014)
- FRS 114: Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 105: Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 107: Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 19: Employee Benefits (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 34: Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2016)
- FRS 115: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- FRS 109: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

32. 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 14 April 2015.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

Issued and fully paid-up share capital	–	S$39,763,742
Number of issued shares	–	191,058,497 (with voting rights)
Class of shares	–	Ordinary shares
Voting rights	–	One (1) vote per ordinary share
Number of treasury shares	–	Nil

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FOO CHEK HENG	49,860,500	26.10
2	SALIX CAPITAL PTE LTD	49,449,500	25.88
3	RAFFLES NOMINEES (PTE) LIMITED	20,334,400	10.64
4	TAI CHIEW SHAM	6,490,100	3.40
5	OCBC SECURITIES PRIVATE LIMITED	5,719,048	2.99
6	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,692,155	2.46
7	TAI HO FAH	4,383,500	2.29
8	UOB KAY HIAN PRIVATE LIMITED	4,147,750	2.17
9	JOHN HAMILTON CAPITAL LTD	3,400,000	1.78
10	KOH CHEO LENG	2,749,400	1.44
11	ONG SWEE GUAN	2,165,250	1.13
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,031,000	1.06
13	YEO AN LUN	1,897,000	0.99
14	LIM SIN TAT	1,638,000	0.86
15	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	1,522,000	0.80
16	CHUA HONG KIANG	1,407,900	0.74
17	LIN YAN	1,212,800	0.63
18	ONG TIAK BENG	1,100,000	0.58
19	DBS NOMINEES (PRIVATE) LIMITED	667,750	0.35
20	WONG YAT FOO	500,000	0.26
	TOTAL	165,368,053	86.55

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	6	0.55	255	0.00
100 – 1,000	129	11.83	62,453	0.03
1,001 – 10,000	427	39.17	2,220,175	1.16
10,001 – 1,000,000	510	46.80	24,575,311	12.87
1,000,001 AND ABOVE	18	1.65	164,200,303	85.94
TOTAL	1,090	100.00	191,058,497	100.00

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 16 March 2015)

Name of Shareholders	Number of Shares			
	Direct Interest	Deemed Interest	Total	%
Foo Chek Heng	49,860,500	20,000,000	69,860,500	36.57
Salix Capital Pte Ltd	49,449,500*	–	49,449,500	25.88
Heng Jee Moi	–	49,449,500*	49,449,500	25.88
Foo Suay Lun	–	49,449,500*	49,449,500	25.88

* 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 16 March 2015, approximately 37.55% 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 (Incorporated in Singapore)
Company Registration No. 200100075E

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Koyo International Limited will be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964 on Wednesday, 29th day of April 2015 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Directors' Report and Auditor's Report thereon. ***[Resolution 1]***

2. To declare a First and Final tax exempt (one-tier) Dividend of 0.2 Singapore cents per ordinary share as recommended by the Directors for the financial year ended 31 December 2014. ***[Resolution 2]***

3. To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2015 payable quarterly in arrears (2014: S$120,000) ***[Resolution 3]***

4. To re-elect Mr. Lee Chen Chong as Director of the Company, who will cease to be a director of the Company at the conclusion of this Annual General Meeting in accordance with Section 153(2) of the Companies Act, Chapter 50 of Singapore ("Companies Act"), and who, being eligible, offers himself for re-appointment pursuant to Section 153(6) of the Companies Act to hold office until the next Annual General Meeting of the Company. [See Explanatory Note (i)] ***[Resolution 4]***

5. To re-elect Mr. Yeo Guat Kwang as Director of the Company, who is retiring under Article 98 of the Articles of Association and who, being eligible, offers himself for re-election. [See Explanatory Note (ii)] ***[Resolution 5]***

6. To re-elect Mr. Foo Suay Wei as Director of the Company, who is retiring under Article 102 of the Articles of Association and who, being eligible, offers himself for re-election. [See Explanatory Note (iii)] ***[Resolution 6]***

7. To re-appoint Messrs Nexia TS Public Accounting Corporation, Chartered Accountants as the Company's Independent Auditor and to authorise the Directors to fix their remuneration. ***[Resolution 7]***

AS SPECIAL BUSINESS

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

8. **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**

   THAT the Directors be and are hereby authorised pursuant to the provisions of Section 161 of the Companies Act 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

NOTICE OF ANNUAL GENERAL MEETING

KOYO INTERNATIONAL LIMITED (Incorporated in Singapore)
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(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) (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 Share (excluding treasury shares) (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 issued Shares shall be based on the total number of issued Shares (excluding treasury shares) 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 Articles of Association 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 annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iv)]
[Resolution 8]

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

THAT pursuant to Section 161 of the Companies Act, 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 shares 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 annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (v)].
[Resolution 9]

NOTICE OF ANNUAL GENERAL MEETING

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

10. 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 Singapore Exchange Securities Trading Limited's ("SGX-ST") 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 Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("Catalist Rules")

And otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act, the memorandum and articles of association 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**");

(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

NOTICE OF ANNUAL GENERAL MEETING

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

"**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; and

"**Maximum Limit**" means ten per cent (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 10]***

11. **Any Other Business**

To transact any other business which may properly be transacted at an annual general meeting.

BY ORDER OF THE BOARD
CHIN HOOI YEN
COMPANY SECRETARY
14 APRIL 2015

NOTICE OF ANNUAL GENERAL MEETING

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

Explanatory Notes

i. Mr. Lee Chen Chong will, upon re-election as a director of the Company, remain as the Non-Executive Chairman of the Board, the Chairman of the Audit Committee and a member of Remuneration Committee of the Company and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

ii. Mr. Yeo Guat Kwang will, upon re-election as a director of the Company, remain as an Independent Non-Executive Director, the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

iii. Mr. Foo Suay Wei will, upon re-election as a director of the Company, remain an Executive Director. Mr. Foo Suay Wei is the son of Mr. Foo Chek Heng, the Company's Managing Director and controlling shareholder and grandson of Mdm. Heng Jee Moi, who owns 100% of Salix Capital Ltd., a substantial shareholder of the Company.

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 annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held 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 per cent. (100%) of the total number of issued Shares (excluding treasury shares), 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 per cent. (50%) of the total number of issued shares.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares) at the time Resolution 8 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 8 is passed and any subsequent consolidation or subdivision of Shares.

v. Ordinary resolution 9 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next Annual General Meeting, 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 entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxies to vote on its behalf. A proxy need not be a member of the Company. The proxy form must be deposited at the Company's registered office at 55 Ubi Ave 3, #04-01, Singapore 408864, not less than forty-eight (48) hours before the time for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative'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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 express 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, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. You and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

ADDENDUM DATED 14 APRIL 2015

This Addendum 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 2014 ("**Annual Report**"). Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders' approval for the renewal of the Share Buy Back Mandate (as defined herein) to be tabled at the annual general meeting of the Company to be held on 29 April 2015 at 9.00 a.m. at Hotel Royal Singapore, 36 Newton Road, Singapore 307964.

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 actions you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

This Addendum 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 Addendum

This Addendum 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 Addendum.

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone: (65) 6229 8088.

KOYO International

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

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

ADDENDUM DATED 14 APRIL 2015

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

Directors		**Registered Office**
Lee Chen Chong	*(Non-Executive Chairman)*	55 Ubi Ave 3
Foo Chek Heng	*(Managing Director/Chief Executive Officer)*	#04-01
Foo Suay Wei	*(Executive Director)*	Singapore 408864
Yeo Guat Kwang	*(Independent Director)*	
Serena Lee Chooi Li	*(Independent Director)*	

14 April 2015

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 14 April 2015 ("**Notice of AGM**") of Koyo International Limited ("**Company**") convening the AGM of the Company to be held on 29 April 2015.

1.2 The proposed Resolution 10 in the Notice of AGM relates to the renewal 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 21 April 2014, 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 29 April 2015, being the date of the forthcoming AGM.

1.3 The purpose of this Addendum 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 29 April 2015 ("**2015 AGM**").

If 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 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 ("**Relevant Period**").

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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 (i.e. the Company is unable to pay its debts as they become due in the ordinary course of business or the value of the Company's assets is less than the value of its liabilities including contingent liabilities), 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 2015 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 2015 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, reduced its share capital by a special resolution under Section 78C of the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time ("**Companies Act**"), or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total

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number of issued Shares of the Company shall be taken to be the total number of the issued Shares as altered by the special resolution of the Company or the order of the court, as the case may be. 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.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at 31 March 2015, being the latest practicable date (the "**Latest Practicable Date**"), comprising 191,058,497 Shares, and assuming that no further Shares are issued on or prior to the 2015 AGM, not more than 19,105,849 Shares (representing 10% of the issued and paid-up share capital of the Company as at that date) 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 considered solvent in the event that:–

(a) the Company is able to pay its debts in full at the time of the payment for the purchase or acquisition of the Shares and will be able to pay its debts as they fall due in the normal course of business during the period to twelve (12) months immediately following the date of the payment; and

(b) 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 or acquisition or release 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**") 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

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(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; 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.

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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 reasonable 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:

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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.

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 of the Company's assets 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 for cash;

(b) transfer the treasury shares for the purposes of, or pursuant to an employees' share option scheme of the Company;

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

(d) cancel the treasury shares; or

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

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. The Company shall also notify the Accounting and Corporate Regulatory Authority 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

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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.

2.8 **Tax Implications**

Pursuant to Section 10J of the Income Tax Act (Chapter 134) of Singapore, where a company buys back its own shares (which shall be deemed cancelled under Section 76B of the Act by way of an On-Market Purchases or an Off-Market Purchases) and make payment out of contributed capital, it will not be regarded as a payment of dividend and an amount equal to the payment shall be debited to the contributed capital account kept by the Company. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the Shareholders from whom the shares are purchased or acquired.

Shareholders should note that the foregoing is not ought to be regarded as advice on the tax position of any Shareholder. 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, by 9.00am 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.

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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 (ii) the associates (as defined in the Listing Rules) of persons in (i). As at the Latest Practicable Date, there are 71,748,497 Shares in the hands of the public, representing 37.5% of the issued Shares of the Company (based on 191,058,497 issued Shares). The Company does not have any treasury shares as at the Latest Practicable Date.

For illustration purpose only, assuming that the Company purchases the maximum number of 10% of the issued Shares, being 19,105,849 Shares as at the Latest Practicable Date, and assuming that such Shares are held in public hands, the resultant number of Shares held by the public after the purchase of such Shares would be 52,642,648 Shares, representing approximately 30.6% of the remaining issued 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.

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 of a company; or

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(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;

(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;

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(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.

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 buy-back 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

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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.

Shareholders are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share Buyback by the Company pursuant to the Share Buyback Mandate.

2.12 **No Previous Purchases**

The Company has not made any purchase of its issued Shares pursuant to the Share Buyback Mandate during the 12 month period preceding 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 2014 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, the Company may not necessarily buyback or be able to buyback ten per cent (10%) of the issued 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 will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration 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.

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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, based on audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2014; are based on the assumptions set out below:

(a) based on 191,058,497 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2015 AGM, and assuming there were no exercise of 5,565,000 outstanding options ("**Options**") convertible into 5,565,000 Shares under the Koyo International Employee Share Option Scheme 2011 on or prior to the 2015 AGM;

(b) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 19,105,849 Shares at the Maximum Purchase Price of S$0.240 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 31 March 2015), the maximum amount of funds required for the purchase or acquisition of 19,105,849 Shares is S$4,585,000; and

(c) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 19,105,849 Shares at the Maximum Purchase Price of S$0.276 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 31 March 2015), the maximum amount of funds required for the purchase or acquisition of 19,105,849 Shares is S$5,273,000.

For illustrative purposes only and on the basis of the assumptions set out in (a), (b) and (c) above, the financial effects for Share buybacks made entirely out of profits and capital are as follow:

(i) 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 2014 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.

(ii) 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 19,105,849 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 based on the audited consolidated accounts of the Group and the Company for the financial year ended 31 December 2014 as if the Share Buyback Mandate had been effective on 31 December 2014 are set out below:

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Market Purchase

Scenario 1

Purchase or acquisition of 19,105,849 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and held as treasury shares.

	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 2014				
Shareholders' Funds	17,326	17,326	29,340	29,340
Treasury Shares	–	(4,585)	–	(4,585)
Total Shareholders' Funds	17,326	12,741	29,340	24,755
Net Assets	17,326	12,741	29,340	24,755
Current Assets	22,576	17,991	3,479	(1,106)
Current Liabilities	5,436	5,436	2,109	2,109
Total Borrowings	12	12	12	12
No. of Shares ('000)				
Ordinary Shares	191,058	171,952	191,058	171,952
Net Assets per Share (cents)	9.07	7.41	15.36	14.40
Basic EPS (cents)	1.00	1.11	0.23	0.26
Gearing Ratio (%)	0.07	0.09	0.04	0.05
Current Ratio (times)	4.15	3.31	1.65	(0.52)

Notes:

(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding minority interests.

(2) Net assets exclude minority interests.

(3) Net assets per Share equals to net assets divided by the number of shares.

(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.

(5) Gearing ratio equals to total borrowings divided by shareholders' funds.

(6) Current ratio equals to current assets divided by current liabilities.

ADDENDUM DATED 14 APRIL 2015

Market Purchase

Scenario 2

Purchase or acquisition of 19,105,849 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 2014				
Shareholders' Funds	17,326	12,741	29,340	24,755
Treasury Shares	–	–	–	–
Total Shareholders' Funds	17,326	12,741	29,340	24,755
Net Assets	17,326	12,741	29,340	24,755
Current Assets	22,576	17,991	3,479	(1,106)
Current Liabilities	5,436	5,436	2,109	2,109
Total Borrowings	12	12	12	12
No. of Shares ('000)				
Ordinary Shares	191,058	171,952	191,058	171,952
Net Assets per Share (cents)	9.07	7.41	15.36	14.40
Basic EPS (cents)	1.00	1.11	0.23	0.26
Gearing Ratio (%)	0.07	0.09	0.04	0.05
Current Ratio (times)	4.15	3.31	1.65	(0.50)

Notes:

(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding minority interests.

(2) Net assets exclude minority interests.

(3) Net assets per share equals to net assets divided by the number of shares.

(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.

(5) Gearing ratio equals to total borrowings divided by shareholders' funds.

(6) Current ratio equals to current assets divided by current liabilities.

For the purpose of these illustrations, it was assumed that the Company withdraws S$4,585,000 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.

ADDENDUM DATED 14 APRIL 2015

Off-Market Purchase

Scenario 1

Purchase or acquisition of 19,105,849 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and held as treasury shares.

	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 2014				
Shareholders' Funds	17,326	17,326	29,340	29,340
Treasury Shares	–	(5,273)	–	(5,273)
Total Shareholders' Funds	17,326	12,053	29,340	24,067
Net Assets	17,326	12,053	29,340	24,067
Current Assets	22,576	17,303	3,479	(1,794)
Current Liabilities	5,436	5,436	2,109	2,109
Total Borrowings	12	12	12	12
No. of Shares ('000)				
Ordinary Shares	191,058	171,952	191,058	171,952
Net Assets per Share (cents)	9.07	7.01	15.36	14.00
Basic EPS (cents)	1.00	1.11	0.23	0.26
Gearing Ratio (%)	0.07	0.10	0.04	0.05
Current Ratio (times)	4.15	3.18	1.65	(0.85)

Notes:

(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding minority interests.

(2) Net assets exclude minority interests.

(3) Net assets per share equals to net assets divided by the number of shares.

(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.

(5) Gearing ratio equals to total borrowings divided by shareholders' funds.

(6) Current ratio equals to current assets divided by current liabilities.

ADDENDUM DATED 14 APRIL 2015

Off-Market Purchase

Scenario 2

Purchase or acquisition of 19,105,849 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 2014				
Shareholders' Funds	17,326	12,053	29,340	24,067
Treasury Shares	–	–	–	–
Total Shareholders' Funds	17,326	12,053	29,340	24,067
Net Assets	17,326	12,053	29,340	24,067
Current Assets	22,576	17,303	3,479	(1,794)
Current Liabilities	5,436	5,436	2,109	2,109
Total Borrowings	12	12	12	12
No. of Shares ('000)				
Ordinary Shares	191,058	171,952	191,058	171,952
Net Assets per Share (cents)	9.07	7.01	15.36	14.00
Basic EPS (cents)	1.00	1.11	0.23	0.26
Gearing Ratio (%)	0.07	0.10	0.04	0.05
Current Ratio (times)	4.15	3.18	1.65	(0.85)

Notes:

(1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves, excluding minority interests.

(2) Net assets exclude minority interests.

(3) Net assets per share equals to net assets divided by the number of shares.

(4) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares.

(5) Gearing ratio equals to total borrowings divided by shareholders' funds.

(6) Current ratio equals to current assets divided by current liabilities.

For the purpose of these illustrations, it was assumed that the Company withdraws S$5,273,000 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.

ADDENDUM DATED 14 APRIL 2015

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 2014 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.

5. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

Assuming (i) the Company purchases the maximum number of ten per cent (10%) of the issued 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 as follows:

	No. of Shares		Before Share Buyback	After Share Buyback	No. of Shares comprised in outstanding Options
	Direct	Deemed	(%)[1]	(%)[2]	
Director					
Lee Chen Chong	–	–	–	–	500,000
Foo Chek Heng	49,860,500	20,000,000	36.57%	40.63%	2,865,000
Foo Suay Wei	–	–	–	–	–
Yeo Guat Kwang	290,000	–	0.15%	0.17%	500,000
Serena Lee Chooi Li	–	–	–	–	500,000
Substantial Shareholder					
Salix Capital Pte Ltd[3]	49,449,500	–	25.88%	28.76%	–
Foo Suay Lun[3]	–	49,449,500	25.88%	28.76%	–
Heng Jee Moi[3]	–	49,449,500	25.88%	28.76%	–

Notes:

(1) The percentages in the table are calculated based on the total interests (direct and deemed) against 191,058,497 Shares as at the Latest Practicable Date.

(2) The percentages in the table are calculated based on the total interests (direct and deemed) at the Latest Practicable Date against 171,952,648 Shares, assuming that the Company purchases the maximum ten per cent (10%) of the issued Shares of the Company.

(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.

ADDENDUM DATED 14 APRIL 2015

6. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Buyback Mandate is sought at the 2015 AGM. The resolution relating to the proposed renewal of the Share Buyback Mandate is contained in the Notice of AGM as Ordinary Resolution 10.

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 10 relating to the renewal of the Share Buyback Mandate, at the 2015 AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Addendum 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 Addendum misleading. Where information in the Addendum 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 the Addendum in its proper form and context.

9. INSPECTION OF DOCUMENTS

Copies of the Memorandum and Articles of Association of the Company is available for inspection at the registered office of the Company at 55 Ubi Avenue 3, #04-01 Singapore 408864 during normal business hours from the date of this Addendum up to the date of the 2015 AGM.

Yours faithfully
For and on behalf of the Board of Directors
Koyo International Limited

Foo Chek Heng
Managing Director/Chief Executive Officer

14 April 2015

CIRCULAR DATED 14 APRIL 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your ordinary shares in the capital of Koyo International Limited ("**Company**") represented by physical share certificate(s), you should forward this Circular, the Notice of Extraordinary General Meeting and the enclosed Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318; telephone number: (65) 6229 8088.

KOYO International

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

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS (AS DEFINED IN THE CIRCULAR) OF THE COMPANY TO INCLUDE THE PROPOSED BUSINESS (AS DEFINED IN THE CIRCULAR)

IMPORTANT DATES AND TIMES:–

Last date and time for lodgment of Proxy Form	:	27 April 2015 at 10:00 a.m.
Date and time of Extraordinary General Meeting	:	29 April 2015 at 10:00 a.m. (or immediately after the conclusion or adjournment of Annual General Meeting of the Company to be held at 9:00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Hotel Royal Singapore, 36 Newton Road, Singapore 307964

TABLE OF CONTENTS

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated.

Companies, Organizations and Agencies

"AVSC Technologies"	:	AVSC Technologies Pte Ltd
"BCA"	:	Building and Construction Authority, a statutory board established on 1 April 1999 under the Ministry of National Development through the merger of the Construction Industry Development Board and the Building Control Division of the Public Works Department
"CDP"	:	The Central Depository (Pte) Limited
"Company"	:	Koyo International Limited
"Group"	:	The Company and its Subsidiaries
"Koyo Engineering"	:	Koyo Engineering (S.E.Asia) Pte Ltd
"Koyo M&E"	:	Koyo M&E Pte Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

General

"Act"	:	Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"Articles"	:	The Articles of Association of the Company
"ASEAN"	:	Association of Southeast Asian Nations, which at the Latest Practicable Date includes Brunei, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Cambodia, Laos and Vietnam
"Australasia"	:	The Australasia region which includes Australia and New Zealand
"Board"	:	The board of directors of the Company
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	SGX-ST Listing Manual Section B: Rules of Catalist, as from time to time amended, modified or supplemented
"Circular"	:	This circular to Shareholders dated 14 April 2015
"Director(s)"	:	The director(s) of the Company, for the time being
"EGM"	:	The extraordinary general meeting of the Company, notice of which is set out on page 131 of this Circular

DEFINITIONS

"Existing Core Business"	:	Has the meaning ascribed to it in paragraph 2.1 of this Circular
"EU"	:	The European Union, which at the Latest Practicable Date, includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom
"FY"	:	The financial year ended or ending 31 December
"Latest Practicable Date"	:	31 March 2015, being the latest practicable date prior to the printing of this Circular
"M&E Business"	:	Has the meaning ascribed to it in paragraph 2.1 of this Circular
"Memorandum"	:	The Memorandum of Association of the Company
"Notice of EGM"	:	The Notice of EGM as set out on page 131 of this Circular
"Ordinary Resolution"	:	The ordinary resolution as set out in the Notice of EGM
"Property Business"	:	Has the meaning ascribed to it in paragraph 2.1 of this Circular
"PRC" or "China"	:	The People's Republic of China, Hong Kong Special Administrative Region and the Macau Special Administrative Region for the purposes of this Circular and for geographical reference only
"Proposed Business"	:	Has the meaning ascribed to it in paragraph 2.2 of this Circular
"Proposed Diversification"	:	The proposed diversification of the Group's Existing Core Business to include the Proposed Business
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Share(s)"	:	Ordinary share(s) in the capital of the Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with Shares
"South Asia"	:	India, Pakistan, Bangladesh, Sri Lanka, Nepal, and Bhutan for the purposes of this Circular and for geographical reference only
"Subsidiary"	:	A subsidiary company as defined in Section 5 of the Act
"Substantial Shareholder"	:	A person (including a corporation) who holds (directly or indirectly) not less than five per cent. (5%) of the total votes attached to all the voting Shares in the Company

DEFINITIONS

Currencies and Units

"S$" and "cents":	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
"%" or "per cent."	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Act.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, the Catalist Rules or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

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

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

Directors	**Registered Office**
Lee Chen Chong *(Non-Executive Chairman)*	55 Ubi Ave 3
Foo Chek Heng *(Managing Director/Chief Executive Officer)*	#04-01
Foo Suay Wei *(Executive Director)*	Singapore 408864
Yeo Guat Kwang *(Independent Director)*	
Serena Lee Chooi Li *(Independent Director)*	

14 April 2015

To: The Shareholders of Koyo International Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 The Directors are proposing to convene the EGM to be held on 29 April 2015 to seek Shareholders' approval for the Proposed Diversification.

1.2 The purpose of this Circular is to provide Shareholders with relevant information pertaining to, and to explain the rationale for, the Proposed Diversification and to seek Shareholders' approval by way of the Ordinary Resolution at the EGM to be convened. The Notice of EGM is set out on page 131 of this Circular.

1.3 The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

2. THE PROPOSED DIVERSIFICATION

2.1 BACKGROUND INFORMATION

The Group has a track record of more than 31 years in the construction business in Singapore. The Group is principally engaged in the provision of mechanical engineering, electrical engineering, and facilities management services. Such services entail the offering of customers a total solutions package which involves design, integration, supply of equipment, build, implementation, test, commission and maintenance (collectively, the "**M&E Business**"). The Company had on 21 April 2014, obtained Shareholders' approval to expand the M&E Business to ASEAN, China, the EU and/or the Australasian countries ("**Geographical Expansion of M&E Business**").

On 21 April 2014, the Company also obtained Shareholders' approval to venture into property construction, property development and property management in ASEAN (including Singapore), China, the EU and Australasia (collectively, the "**Property Business**"). The Property Business and M&E Business shall collectively be referred to as the "**Existing Core Business**".

The Group undertakes the Existing Core Business primarily through its wholly-owned and indirect subsidiaries, namely, Koyo Engineering, AVSC Technologies, Koyo M&E and Koyo Eco.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, Koyo Engineering is registered with the BCA grading of:

(a) L6 under the category of ME01 for Air-conditioning, Refrigeration & Ventilation Works which enables the Company to undertake ACMV projects with unlimited tendering value;

(b) L6 under the category of ME15 for Integrated Building Services which enables the Company to undertake Integrated Building projects with unlimited tendering value;

(c) L5 under the category of ME05 for Electrical Engineering Works which enables the Company to undertake electrical engineering projects with a tendering limit of up to S$14.00 million;

(d) L4 under the category of ME06 for Fire Prevention & Protection Systems which enables the Company to undertake fire prevention & protection projects with a tendering limit of up to S$7.0 million;

(e) L1 under the category of ME04 for Communication & Security Systems which enables the Company to undertake communication & security systems projects with a tendering limit of up to S$0.70 million;

(f) L1 under the category of ME12 for Plumbing & Sanitary Works which enables the Company to undertake plumbing & sanitary projects with a tendering limit of up to S$0.70 million.

Koyo Engineering is also registered with GeBiz for Supply of Products/Services with financial grading of S10. The Supply heads for goods/services (excluding medical supplies/equipment and services) under Expenditure and Procurement Policies Unit (EPPU) with Enterprise One include:

(a) EPU/AVP/10 S10 for Supply of Audio Visual, Photographic & Optical Products and Audio Visual Production Services which enables the Company to tender with a tendering limit of above $30 million;

(b) EPU/SER/19 S10 for Services of Data Entry, Supply of Manpower services which enables the Company to tender services with a tendering limit of above $30 million;

(c) EPU/SER/30 S10 for Management Services which enables the Company to undertake management services of car-parks, food courts, kiosks, real estate management and sourcing of information etc. with a tendering limit of above $30 million;

(d) EPU/SER/38 S10 for Services including rental of premises and hiring of miscellaneous items which enables the Company to undertake services with a tendering limit of above $30 million; and

(e) EPU/SER/46 S10 for Cleaning services which enables the Company to undertake all forms of cleaning services with a tendering limit of above $30 million.

Koyo Engineering is also registered as a General Builder Class 1 which enables the Group to undertake general building work with contract value of any value.

As at the Latest Practicable Date, AVSC Technologies is registered with the BCA grading of L6 under the category of SY01C for other Basic Construction Materials which enables the Company to undertake projects for the supply and delivery of reclamation sand with any value.

AVSC was also granted an importer's license from BCA for importing essential construction materials. This allows the Group to carry out business of importing the said essential construction materials. With the license and grading, we hope to be able participate in government tenders in Singapore for the supply of sand and other reclamation materials.

LETTER TO SHAREHOLDERS

During the year, the Group had completed the supply of shipments of sand to Singapore. Given the limited land resources in Singapore, the Board envisages potential in this industry. Hence, to further expand this business, Shareholders' approval is being sought for the diversification of the Group's business to include the business of supplying construction materials as well as other supporting business activities. Please see paragraphs 2.2 and 2.3 of the circular for more information.

2.2 DETAILS OF THE PROPOSED DIVERSIFICATION

Following the receipt of Shareholders' approval, the Group intends to venture into the following activities as and when opportunities arise:

(a) procurement and supply of construction materials including but not limited to sand and granite (the "**Materials Supply Business**");

(b) acquisition, ownership, and operation of mines and concessions to produce and process construction materials, including but not limited to sand and granite (the "**Materials Business**"); and

(c) ownership, chartering, operation and management of sea going vessels, as well as the provision of marine transportation, logistics and support services, including but not limited to stevedoring and dredging services (the "**Marine Business**"),

(collectively, the "**Proposed Business**").

Upon receipt of the Shareholder's approval for the Proposed Business, the Group intends to primarily carry out the new business through its direct subsidiary, AVSC Technologies.

In view of the size of the market demand for the Proposed Business, the Group may consider forming consortiums, joint ventures and/or strategic alliances with companies or partners with the relevant expertise and market knowledge. The Group will not restrict itself to any particular country and will consider countries that present growth opportunities for the Proposed Business.

When evaluating and deciding on the countries to enter, the Board will also factor in jurisdictional risk. It would consider the relevant jurisdiction's socio-political situation and potential developments of the same. The Group will not take undue risk by investing in jurisdictions with known socio-political turbulence or are generally considered undesirable unless this can be mitigated by taking political risk insurance. For the time being, the Group has identified ASEAN, China and South Asia as appropriate regions for undertaking the Proposed Business Diversification. The Group will be also evaluating other potential opportunities in other countries as and when they arise.

In deciding what investments to make, the Board will evaluate each investment based on its projected rate of return, the potential costs involved and the profit margins. It will have regard to factors such as location, the borrowing costs involved and prevailing market conditions. Where necessary, the Board will also seek the advice of reputable consultants and/or other experts.

As the Proposed Business will involve new business areas which are different from the Group's Existing Core Business, it is envisaged that the Proposed Business will change the existing risk profile of the Group. Accordingly, the Company is convening the EGM to seek the Shareholders' approval for the Proposed Diversification.

LETTER TO SHAREHOLDERS

2.3 RATIONALE FOR THE PROPOSED DIVERSIFICATION

2.3.1 Materials Supply Business Facilitates the Expansion of the Geographical Scope of the Group's Existing Core Business

Notwithstanding that the Group has on 21 April 2014 obtained Shareholders' approval for the Geographical Expansion of M&E Business and to diversify into the Property Business (which currently forms part of the Group's Existing Core Business), the Group has yet to expand its business overseas. As such, diversifying and venturing into the Proposed Business will facilitate the Group's expansion of its geographical scope of its Existing Core Business outside of Singapore.

With the pace of economic growth in Asia and Singapore, the Group believes that there will be strong demand for construction materials, especially when taking into consideration the prospects of the property market in Singapore and the region and the establishment of world-class resorts and infrastructure development projects around the region. The Proposed Business will allow the Group to participate in the growth prospects of the construction industries in, for example, countries in ASEAN (including Singapore), China, and/or the South Asia countries.

Furthermore, the industry cycles for the construction industries in these countries, and across different segments within such industries, may not necessarily coincide with that of Singapore's construction and/or property industries, as consumer sentiment, economic conditions and other factors that affect supply and demand in these countries may not coincide with that in Singapore. As such, geographical diversification provides the Group with the opportunity to reduce its risk of being dependent upon the construction and/or property sector in Singapore.

2.3.2 Materials Business and Marine Business complementary to the Materials Supply Business

The Group is cognisant that the key factors for the success of the Materials Supply Business are the cost and the availability of resource materials such as sand and granite to the Group, as well as the cost and efficiency of marine transportation available to the Group.

The Group's management has identified the need to secure the supply of resource materials for the Materials Supply Business in order for the Group to fulfil the orders it receives and maintain or improve the margins of its supply contracts. The Materials Business will ensure that the Group is able to meet the commitments of the Materials Supply Business is in a timely and efficient manner.

Notwithstanding that the Group may be involved in the Materials Business, in the event that the Materials Supply Business cannot be fulfilled solely by mines and concessions controlled by the Group, the Group will source for them from its network of major suppliers and/or concession owners.

The other key factor for the success of the Materials Supply Business is the cost and efficiency of marine transportation as the delivery of construction materials from the source country to the destination country is via sea transportation. Without the Marine Business, the Group would be likely encounter difficulties in getting the requisite marine transportation services and obtaining the requisite ancillary support such as dredging and stevedoring services. This would be especially the case when there is huge demand for marine transportation worldwide amidst an oil or commodities boom. The Marine Business will also ensure maximum utilisation of the any vessels that are purchased and owned by the Group via chartering of those vessels and providing stevedoring services to third parties.

LETTER TO SHAREHOLDERS

The Group is of the opinion that a vertically integrated approach to the management of the supply chain for the Proposed Business, whereby the Group owns the mines and/or concessions for the resource materials, and owns and manages vessels for marine transportation would be key for the success of the Material Supply Business. As such, in the initial stages of the Proposed Business, the priority for the Materials Business and Marine Business is to support the Material Supply Business. However, in time to come and when appropriate, the Group intends to develop the Materials Business and Marine Business as independent businesses.

2.3.3 The Proposed Business Diversifies the Group's Risk and Provides a New Income Stream

The Board believes that the Proposed Diversification would allow the Group to have better profitability prospects and ensure longer-term growth. The Proposed Diversification would enable the Group to expand its revenue base so that it is able to generate greater revenues. By diversifying its Existing Core Business to include the Proposed Business, the Group will be able to tap on overseas markets and have access to new business opportunities. The inclusion of the Proposed Businesses as part of the Group's core business will be beneficial to the Group and will assist the Group to deliver enhanced value to the Shareholders.

2.3.4 Leveraging the existing Business

The Group believes that it can leverage on its experience and knowledge in its Existing Core Business and better envisage and resolve potential issues that could be faced by the Proposed Business. This will also allow for synergies between the Existing Core Business and the Proposed Business. Such experience and knowledge will also provide the Group with a better understanding of the construction materials industry it proposes to undertake pursuant to the Proposed Business Diversification as it would be better able to evaluate the financial condition, potential returns and business prospects of such investments before making them.

2.4 FINANCIAL EFFECTS OF THE PROPOSED DIVERSIFICATION

The Proposed Diversification is not expected to have a significant financial impact on the Group's net tangible asset per Share and earnings per Share for FY2015.

Should there be any material impact on the Group's net tangible asset per Share and earnings per Share for FY2015, the Group will make the necessary announcements at the appropriate time.

2.5 MANAGING THE PROPOSED BUSINESS

The Proposed Business will be under the supervision of the Group's management team, headed by Managing Director/Chief Executive Officer, Mr. Foo Chek Heng, who will provide the strategic vision and policy on the Proposed Business. In making its decisions, the Group's management team will, where necessary and appropriate, seek the advice of reputable external consultants and experts.

Mr. Foo Chek Heng has more than 36 years of experience in the building construction industry in Singapore. With his extensive experience in construction and their networks in the real estate business, Mr. Foo Chek Heng has gained a good understanding of Singapore's construction and property market, and has accumulated the requisite knowledge in relation to the Proposed Business in Singapore.

LETTER TO SHAREHOLDERS

The Group will strengthen the management expertise in the Proposed Business with additional headcount as and when necessary and/or appoint third party professionals for advice. The Group may foster partnerships with various third parties to assist it in undertaking the Proposed Business more effectively and efficiently as the Group seeks to build its expertise and capabilities in the field. Such partnerships may be established either on a case to case basis or on a term basis. For example, the Group may engage experienced ship managers who have extensive experience in the marine and offshore industries to provide ship management services for its vessels. These would include crewing, technical management, freight management, provisioning, bunkering and operations. The Group believes that by leveraging on the Group's status as a public-listed company, the Group will be able to attract and hire experienced personnel from the relevant sector, including management and supervisory staff.

Where appropriate, aspects of the Proposed Business may be outsourced to third party contractors. This may include, for example, appointing external marine companies to arrange for freight or stevedoring companies to facilitate the discharging of the vessels. In selecting contractors, the Group will take into account, among others, the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

Before undertaking any major project in the Proposed Business, management will, *inter alia*, consider one or more of the following factors: financial forecasts, risk analysis, market study, background of any key contractors or joint venture partners, and funding needs of the project concerned.

2.6 FINANCING THE PROPOSED BUSINESS

The Group plans to finance the Proposed Business using a combination of internal funds and external financing such as bank borrowings and trade financing, as well as working with joint venture partners who will be able to provide funding for projects. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets.

With the exception of finance leases for certain items of machinery and equipment not exceeding S$6,000 as at the Latest Practicable Date, the Group has no other bank borrowings. Hence, there should be sufficient headroom for debt-financing, as required. As at 31 December 2014, the Group's unutilised credit line was S$1.8 million and consolidated cash and cash equivalent was approximately S$15.7 million. Revenue for the year ended 31 December 2014 was S$20.3 million. The market capitalisation of the Company as at the Latest Practicable Date was S$42.9 million.

2.7 EXISTING BUSINESS OF THE GROUP

The Group intends to enter the Proposed Business prudently, while continuing to be committed in the continuance and growth of the Group's Existing Core Business with the ultimate aim of enhancing Shareholders' value.

2.8 RISK FACTORS

The following is a list of key risk factors that are associated with the addition of the Proposed Business to the Group's Existing Core Business. If any of the following considerations and uncertainties develops into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected.

LETTER TO SHAREHOLDERS

However, the risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Directors, Company or are currently not deemed to be material. New risk factors emerge from time to time, and it is not possible to predict all risk factors. Also, it is not possible to assess the impact of all factors on the Proposed Business or the extent to which any factor, or combination of factors, may affect the Proposed Business, the Group's financial performance, financial condition, results of operations and prospects.

(a) The Group's management lack of experience in the Proposed Business

The majority of the Group's Board of Directors have limited experience in the Proposed Business. The Board is aware of the need to have sufficient management to properly supervise the operations of the Proposed Business. The Board will be looking to strengthen the management expertise in the Proposed Business with additional headcount as and when necessary and/or appoint third party professionals for advice.

(b) The Group is dependent on qualified employees for its operations of the Proposed Business.

The success of the Proposed Business will be dependent largely on the commitment of the management and staff engaged for its operations. It is also dependent on the Group's ability to identify, recruit, train and retain qualified employees. The competition for qualified personnel in the industry is intense, and the potential loss of services of one or more of those individuals without adequate replacement or the inability to attract new qualified personnel at a reasonable cost might have a material adverse impact on the Proposed Business's operations and future performance.

(c) The Group will be subject to the laws and regulations of the jurisdictions from which the construction materials are sourced, and from where its vessels are registered and operated.

The Group will be required to comply with the laws and regulations of the jurisdictions from which the construction materials are sourced, and from where its vessels are registered and operated. In addition, the government and/or state regulatory entities in the respective countries that the Group may operate in may also monitor and even regulate the ship movement, dredging, and stevedoring operations, especially given their potential impact to the environment and essential port infrastructure in those countries as the case may be. If the Group is unable to comply with the relevant laws and regulations, the construction materials may not be allowed to be exported out of the country. The vessels and equipment may also not be allowed to operate in the said country.

Government policy and/or regulatory changes may be implemented by government and state regulatory entities or international bodies from time to time. These could adversely change the market structure of and operating ability of the Group in the Proposed Business. Due to the need to comply with new laws and regulations introduced, the Group's cost of operations may increase and any non-compliance thereof, may have an adverse effect on its business, financial performance and condition.

LETTER TO SHAREHOLDERS

(d) The Group is subject to various international and local environmental protection laws and regulations

The Group's operations will be subject to various international and local environmental protection laws and regulations. Such laws and regulations are becoming increasingly complex and stringent and compliance may become increasingly difficult and costly. Some of these laws and regulations may expose the Group to liability for the conduct of others, or for its acts, and the Group may be required to pay significant fines and penalties for non-compliance.

Some environmental laws also impose joint and several "strict liability" for cleaning up spills and releases of oil and hazardous substances, regardless of whether the Group was negligent or at fault.

(e) The Group is subject to risks relating to the cooperation or ownership agreements on the rights, interests in and ownership of construction materials and mines

There is no assurance that there will not be any default, breach or termination of any cooperation or ownership agreement for the rights, interests in or ownership of the mines or concessions for the exploitation of the construction materials. The performance of the cooperation agreement may be affected by, *inter alia*, changes in the relevant government regulations and/or laws (including permits and licences relating to the mining, extraction, sale and export operations) and operating environments, as well as the status of the local partner as a going concern, to perform and comply with such requirements and changes.

In the event that there is a default, breach or termination of any co-operation agreement for any reasons whatsoever, there will be an adverse material impact on the investment and our Proposed Business.

Mining and exploration licences (and other types of tenements) are also subject to periodic renewal. There is no guarantee that the licenses or concessions and future tenements can be successfully renewed as and when required or that future applications for tenements will be approved.

(f) The Group's construction materials supply contract with buyers could be terminated and the Group may fail to secure a new buyer

Buyers of construction materials retain the right to change, vary, cancel or terminate the supply contracts prematurely upon occurrence of certain events, including poor or non-performance by the Group. Accordingly, the Group is unable to guarantee that the entire contract amount will be fulfilled. Additionally, if such an event materialises and if the Group does not succeed in securing new buyers to purchase the construction materials that would have been sourced but remain undeliverable, the growth of the business would be adversely affected.

(g) The Group may be liable for damages or losses if it fails to fulfill its obligations under the construction materials supply contracts

If the Group fails to fulfill its obligations under the construction materials supply contract, the Group may be required by the buyers to contractually indemnify them against potential claims and losses as a result of the failure. In addition, the Group may have to incur significant expenses and effort in defending itself or contesting suits brought against itself and should the Group fail in its defense of such claims, the Group may have to pay substantial damages, which will result in an adverse impact on the operations of the Group and the Group's financial position.

LETTER TO SHAREHOLDERS

(h) The Group may be subject to contractor risk as a result of the operations of the Proposed Business

The Group intends to conduct exploration, dredging, and stevedoring operations, among others, by using third party contractors and/or operators. However, the Group would be unable to predict the risk of:

- financial failure or default of a contractor or any other third party to a contract for which any subsidiary of the Group is a party to;
- insolvency of or other managerial failure by any of the operators and/or contractors used by the Group for operational activities in respect of the Proposed Business; or
- insolvency of or other managerial failure by any of the other service providers used by the Group for any activity in relation to the Proposed Business.

(i) The Group's inability to source for construction materials, lease tugs and barges, and charter vessels at competitive price may affect profitability

The demand for construction materials is subjected to various economic factors which contribute to the volatility in the financial performance of the Group. The Group will not be able to compete effectively in the construction materials business if the Group is unable to source and procure construction materials, prior to the commencement of the Marine Business, to lease tugs and barges, and charter vessels at competitive prices. This may adversely affect the Group's profitability.

(j) The Group could be affected by increased inspection procedures and tighter import and export controls, which could increase costs and disrupt business operations

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of the Group's construction materials loaded on the Group's vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against the Group. It is possible that changes to inspection procedures could impose additional financial and legal obligations on the Group. Furthermore, changes to inspection procedures could also impose additional costs and obligations on the Group and the Group's customers and may, in certain cases, render the shipment of the construction materials uneconomical or impractical. Any such changes or developments may have a material adverse effect on the Group's business, financial condition and results of operations.

(k) The Proposed Business is dependent on the construction and marine industries and are subject to business fluctuations, cyclical changes and the Group's ability to source for construction materials, vessels, customers and secure contracts

The Proposed Business comprise the supply of construction materials which is dependent on the volume of construction materials required by the construction industry.

The demand from the targeted customers for the Proposed Business are subjected to various economic factors which contribute to the volatility in the financial performance of the Proposed Business.

In addition, should the Group be unable to procure the construction materials at competitive prices, it will not be able to compete effectively in the Proposed Business.

LETTER TO SHAREHOLDERS

The Proposed Business is also dependent on the cost of freight as the construction materials are to be delivered via sea transportation. The cost of freight is dependent on various economic factors, including but not limited to bunker prices and economic cycle. These would also contribute to the volatility in the financial performance of the Proposed Business.

(l) The Group is subject to general risks associated with operating in countries outside of Singapore

The Group will have to purchase construction materials from countries including but not limited to the ASEAN countries and China. There are risks inherent in doing business overseas, which include unexpected changes in local laws and in regulatory requirements (including permits and licences), managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding liability and enforcement and controls on the repatriation of capital or profits. Any of these risks could materially affect the Group's offshore operations and consequently, its financial position and performance.

(m) The Group is subject to legal risks associated with operating in developing countries

The countries which the Proposed Business are conducted in, will including developing countries and as such the Group will be be subject to the jurisdiction of the relevant country's courts. The legal systems in developing countries may comprise risks such as:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- a high degree of discretion on the part of governmental agencies;
- a lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights; or
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

(n) The Group is susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

As the Group's functional and presentation currency is denominated in S$, any depreciation in foreign exchange rates against the S$ may affect the Group's profitability and financial position. For example, costs for the construction materials which are denominated in foreign currencies may have an adverse impact on the Group's operating results if there is an unfavorable fluctuation of the foreign currencies against the S$.

(o) Significant increases in interest rates could adversely affect our profitability

The Group will primarily fund its operations and expansion through a number of means, including bank loans and cash flow from its operations. For bank loans, the Group is exposed to interest rate risk, and a significant increase in interest rates would cause the Group's borrowing costs to increase, which could adversely affect the Group's profitability.

LETTER TO SHAREHOLDERS

(p) The Group may not have, or may be unable to maintain, adequate insurance coverage

The operation of any sea-going vessel has an inherent risk of grounding, sinking, fire, collisions, explosions and other marine disasters, environmental pollution, cargo and property loss or damage, and business may be interrupted by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. Any such incident could result in loss of materials, loss of revenue or increased costs. Some of these incidents may even result in personal casualty.

The Group will arrange for insurance coverage against some of these risks. However, there can be no assurance that all potential risks including those risks on its materials and its employees are adequately insured against, that any particular claim will be paid or that the Group will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

(q) The Group may have additional requirements for capital

Additional funding will be required to effectively implement the Group's business and operations plans for the Proposed Business in the future. These include taking advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Group may incur.

The Group may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Group's activities and future projects may result in delay and/or indefinite postponement of exploration, development or production on the Group's projects or even loss of a project interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might be favourable to the Group and/or might not involve dilution to existing Shareholders.

(r) The Group will be subject to appraisal and certification standards issued by independent certification authorities

Pursuant to the International Safety Management Code ("**ISM Code**"), companies which have complied with the requirements of the ISM Code are issued with a document of compliance (by the relevant government authorities of the jurisdictions in which their vessels are registered). The Group's vessels may be subject to assessment by independent certification organisations for compliance with the requirements of International Convention for the Prevention of Pollution from Ships.

The relevant authorities and certification organisations have the right to conduct inspections of the Group's vessels to ensure continuous compliance with the relevant standards. Any material failure to comply with the prevailing applicable standards may cause the certifications issued to be withdrawn. In the event that such document of compliance is withdrawn for any reasons whatsoever, the Group's business, financial performance and financial condition will be adversely affected.

(s) The Group is subject to the risk that an increase in bunker fuel prices may reduce its profitability

Fuel oil, or bunker fuel costs are one of the principal expenses for the Marine Business. Bunker fuel is consumed to propel and maneuver the Vessels and for the operation of various equipment on board. The cost of bunker fuel can fluctuate significantly and is subject to many economic and political factors that are beyond the Group's control, including political instability in oil-producing regions. An increase in the price of bunker fuel may result in increasing operating costs for the Material Supply Business without a corresponding increase in the revenue, and consequently may have an adverse effect on the Group's profitability.

LETTER TO SHAREHOLDERS

(t) Fluctuations in freight rates and charter hire rates may adversely affect the Group's revenue and profitability.

Freight rates and charter hire rates fluctuate with the change of supply of, and demand for, shipping services and shipping capacity. In addition, freight rates may fluctuate as a result of transactions in the freight rate futures market. If the Group charters its vessels, fluctuations in freight rates and charter hire rates may adversely affect the Group's revenue and profitability and expose the Group to costs that are unable to be avoided due to time lags. These time lags occur because at any given point in time, ship chartering companies and carriers are bound by the terms of their charter agreements. Therefore, a ship chartering company cannot immediately raise its charter hire rates to reflect an increase in the market rates, but will have to wait until its current charter agreements expire. As the Group may operate a ship chartering business, the Group might experience a certain period of time during which the Group is unable to adjust its charter hire rates to take into account increasing freight rates. As the nature, timing and degree of changes in freight rates and charter hire rates are unpredictable and beyond the Group's control, volatility in freight rates and charter hire rates and the attendant time lag between the freight rate changes and its ability to respond to such changes may adversely affect the Group's revenue and profitability.

(u) The Group's charter contracts may be terminated upon the occurrence of certain events

In general, vessels are typically chartered for a period of time. However, these charter contracts may be prematurely terminated or the charter rates reduced or suspended upon occurrence of certain events, including poor or non-performance, events of force majeure, loss or seizure of the vessel(s) or unavailability of the vessel(s) due to any reason whatsoever for specified periods of time. If any of such events occur, the Group's turnover will be reduced and its profitability will be adversely affected.

In addition, if for any reason, the Group is not able to redeploy the vessels for a period of time upon expiry or early termination of the charter contracts, or is not able to secure any charter contract for its vessels, or if negotiations over the terms of the charter contracts are protracted, or if the charter contracts are subsequently renewed on less favourable terms, the Group's turnover and profits would be materially and adversely affected.

(v) The Group will be affected by the regulations governing the Group's operations in the shipping industry

The Group will be subject to the laws and regulations governing the procurement of the respective materials in the various source countries as well as the shipping industry, such as the Merchant Shipping Act (Chapter 179 of Singapore), the Prevention of Pollution of the Sea Act (Chapter 243 of Singapore), and the various regulations introduced by the IMO, including the ISM Code.

In the event that any of the Group's companies operating in the Proposed Business is unable at any time to comply with the existing regulations or any changes in such regulations, or any new regulations introduced by local or international bodies, their operations may be adversely affected. In addition, any change in or introduction of new regulations may increase the costs of operations. All these will have an adverse effect on the Group's profitability following the venture into the Proposed Business.

LETTER TO SHAREHOLDERS

(w) The Group will be subject to various international conventions governing the shipping industry

The Group will be subject to various conventions under the International Maritime Organisation ("**IMO**"). Compliance with such conventions could increase the cost of operations. From time to time, the IMO may adopt new conventions, which could affect the Vessels. If such conventions become more stringent in the future and/or additional compliance procedures are introduced, the cost of operations of the Group's Marine Business may increase.

(x) The Group may be subject to actual and threatened litigation and other regulatory proceedings as a result of operating its vessels

The operation of vessels carries inherent risks. These risks include the possibility of marine disasters; environmental accidents, such as oil spills; cargo and property losses or damage; grounding, fire, explosions and collisions; adverse weather conditions; and business interruptions caused by mechanical failures, human error, labour strikes, and piracy. Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenue from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates and damage to the Group's customer relationships. Any of these circumstances could adversely affect the Group's operations by increasing its costs or lowering its revenue.

(y) Vessels to be deployed are exposed to security threats and piracy

Vessels to be deployed in the Proposed Business may operate in regions in which vessels may encounter incidences of security threats such as piracy, terrorist attacks, wars/insurgency and internal strife. If the vessels are affected by events such that the vessels are captured, destroyed or damaged, the Group's operations will be affected and this may adversely impact the Group's financial results following the venture into the Proposed Business.

(z) The crew of the Group's vessels may be affected by infectious communicable diseases

The crew who will be hired to operate the Group's vessels will likely be engaged on a contractual basis. They may have traveled or worked in other areas prior to deployment upon the vessels. If any one of these crew members is suspected to have contracted or contracts infectious communicable diseases, the entire crew on the said vessel may have to be quarantined for an indeterminate period. This will disrupt the operations of the vessels, which will have an adverse effect on Proposed Business.

2.9 COMPLIANCE WITH CATALIST RULES

2.9.1 Chapter 10 of the Catalist Rules

Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds (i) for an acquisition, 75.00% but less than 100.00%, or (ii) for a disposal, 50.00% ("**Major Transaction**"). A Major Transaction must be made conditional upon approval by shareholders in a general meeting.

LETTER TO SHAREHOLDERS

A Major Transaction does not include an acquisition or disposal which is, or in connection with, the ordinary course of an issuer's business or of a revenue nature. In addition, pursuant to Practice Note 10A of the Catalist Rules, save where the acquisition changes the risk profile of the issuer, shareholders' approval is not required for a Major Transaction if the acquisition will not result in an expansion of the issuer's existing core business. Practice Note 10A of the Catalist Rules further states that the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek shareholders' approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require shareholders' approval.

Upon approval by Shareholders for the Proposed Diversification, the Group will, in its ordinary course of business, be able to enter into any transaction relating to the Proposed Business without the need for further Shareholders' approval even if the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed the thresholds set out in Rule 1014 of the Catalist Rules, unless such transaction changes the risk profile of the Group. As such, the Company need not convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Proposed Business arise, thereby substantially reducing the administrative time and expenses in convening such meetings and consequently, facilitating the Group's pursuit of its corporate objectives and increasing the Group's responsiveness to business opportunities that avail to the Group.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

(a) which fall within the definition of Rules 1002(1), Rules 1010, 1013 and 1014 of the Catalist Rules (read with Practice Note 10A of the Catalist Rules) will still apply;

(b) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100.00%, or is one which will result in a change in control of the issuer, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by Shareholders in a general meeting;

(c) which constitute an "interested person transaction" as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transactions and the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and

(d) which involve the expansion of the Proposed New Business which will result in a material change in the risk profile of the Group, the Company will make the relevant announcement(s) and seek the approval of Shareholders at a general meeting before venturing into the proposed transactions.

2.9.2 Practice Note 4C of the Catalist Rules

Upon obtaining Shareholders' approval for the Proposed Diversification, should the activities of the Company's and/or its subsidiaries' Materials Business, which comprise of exploration for or extraction of construction materials including but not limited to sand and granite, based on the Group's latest audited consolidated financial statements: (i) represents 50% or more of the total assets, revenue or operating expenses of the Group; or (ii) is the single largest contributor based on any of the tests in (i) above, the Company may be considered to be principally in the business of exploration for or extraction of construction materials including but not limited to sand and granite. The Company is required to make an announcement when any of the above situations occurs and will thereafter be required to comply with all the continuing listing rules applicable to mineral, oil and gas companies.

LETTER TO SHAREHOLDERS

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Company based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		No. of Shares Comprised in the Outstanding Share Options (KSOS)
	No. of Shares	%	No. of Shares	%	
Director					
Lee Chen Chong	–	–	–	–	500,000
Foo Chek Heng	49,860,500	26.10	20,000,000	10.47	2,865,000
Yeo Guat Kwang	290,000	0.15	–	–	500,000
Serena Lee Chooi Li	–	–	–	–	500,000
Foo Suay Wei	–	–	–	–	–
Substantial Shareholder					
Salix Capital Pte Ltd*	49,449,500	25.88	–	–	–
Heng Jee Moi*	–	–	49,449,500	25.88	–
Foo Suay Lun*	–	–	49,449,500	25.88	–

Notes:

* 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. DIRECTORS' RECOMMENDATION

The Directors, having considered, among others, the rationale of the Proposed Diversification, are of the opinion that the Proposed Diversification, is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favor of Ordinary Resolution relating to the Proposed Diversification as set out in the Notice of EGM.

5. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 131 of this Circular, will be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964 on 29 April 2015 at 10.00 a.m. (or immediately after the conclusion of the Annual General Meeting of the Company to be held on the same day and at the same place) or at any adjournment thereof for the purpose of considering and if, thought fit, passing, with or without modifications, the Ordinary Resolution set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

6. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 55 Ubi Avenue 3, #04-01 Singapore 408864 not less than 48 hours before the time fixed for the holding of the EGM. The completion and return of the Proxy Form by such Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy should he subsequently wish to do so.

A Depositor will not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register at least 48 hours before the EGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 55 Ubi Avenue 3, #04-01 Singapore 408864 during normal business hours from the date of this Circular up to the date of the EGM:

(a) the Memorandum and Articles of Association of the Company; and

(b) the Annual Report of the Company for FY2014.

Yours faithfully
For and on behalf of the Board of Directors
Koyo International Limited

Foo Chek Heng
Managing Director/Chief Executive Officer

14 April 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Koyo International Limited (the "**Company**") will be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964 on 29th April 2015 at 10.00 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meanings ascribed to them in the Circular to the shareholders of the Company dated 14 April 2015.

AS ORDINARY RESOLUTION

1. THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING CORE BUSINESS TO INCLUDE THE PROPOSED BUSINESS

That:

(a) approval be and is hereby granted for the Proposed Diversification of the Group's Existing Core Business to include the Proposed Business comprising procurement and supply of construction materials including but not limited to sand and granite (the "**Materials Supply Business**"), acquisition, ownership and operation of mines and concession to produce and process construction materials, including but not limited to sand and granite (the "**Materials Business**") and ownership, chartering, operation and management of sea going vessels, as well as the provision of marine transportation, logistic and support services, including but not limited to stevedoring and dredging services (the "**Marine Business**").

(b) subject to compliance with the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited requiring approval from shareholders in certain circumstances, the Company (directly and/or through its subsidiaries) be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of from time to time, any such assets, investments and shares/interests in any entity that is in the Proposed Business for the purpose of or in connection with the Proposed Business on such terms and conditions as the directors of the Company ("Directors") deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts and things as they deem desirable, necessary or expedient to give effect to any such investment, purchase, acquisition or disposal; and

(c) the Directors and each of them be and are hereby authorised to complete and do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the matters contemplated by this resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group. **[Resolution 1]**

BY ORDER OF THE BOARD
CHIN HOOI YEN
COMPANY SECRETARY
14 APRIL 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxies to vote on its behalf. A proxy need not be a member of the Company. The proxy form must be deposited at the Company's registered office at 55 Ubi Ave 3, #04-01, Singapore 408864, not less than forty-eight (48) hours before the time for holding the meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative'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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 express 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, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. You and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

KOYO INTERNATIONAL LIMITED

(Company Registration Number: 200100075E)
(Incorporated in Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Shares in the Company, the Annual Report is sent to them at the request of their CPF Approved Nominees solely for information only.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM
ANNUAL GENERAL MEETING

I/We, ______________________________ (Name),
NRIC/Passport No./Company Registration No ______________________________
of ______________________________
__________ (Address) being a *member/members of the Koyo International Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964, on Wednesday, 29 April 2015 at 9.00 a.m. and at any adjournment thereof.

In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions	To be used on show of hands		To be used in the event of a poll	
		For*	Against*	Number of Votes For**	Number of votes Against**
	Ordinary Business				
1	To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Directors' Report and Auditors' Report thereon.				
2.	To declare a First and Final Tax exempt (one-tier) Dividend of 0.2 Singapore cents per ordinary share recommended by the Directors for the financial year ended 31 December 2014.				
3.	To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2015 payable on a quarterly basis (2014: S$120,000).				
4.	To re-elect Mr. Lee Chen Chong as Director of the Company pursuant to Section 153(6) of the Singapore Companies Act, Chapter 50 of Singapore.				
5.	To re-elect Mr. Yeo Guat Kwang as Director of the Company, who is retiring under Article 98 of the Articles of Association.				
6.	To re-elect Mr. Foo Suay Wei as Director of the Company, who is retiring under Article 102 of the Articles of Association.				
7.	To re-appoint Nexia TS Public Accounting Corporation as the Company's Independent Auditor and to authorise Directors to fix their remuneration.				
	Special Business				
8.	Authority to Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.				
9.	Authority to Directors to issue shares pursuant to the Koyo International Share Options Scheme 2011.				
10.	To approve the renewal of Share Buyback Mandate.				

* Please indicate your vote "For" or "Against".
** If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes.

Date this __________ day of __________ 2015

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

____
Signature(s) of member(s) or Common Seal
IMPORTANT: PLEASE READ NOTES OVERLEAF

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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and the number of Shares registered in your name in the Register of Shareholders. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. A Member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxies to vote on its behalf.

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

4. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any under which it is signed or duly certified copy thereof, must be deposited at the registered office of the Company at **55 Ubi Ave 3, #04-01, Singapore 408864**, not less than forty-eight (48) hours before the time set for the Annual General Meeting.

5. A Corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

6. The Company shall be entitled to reject the instrument of proxy 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 of proxy.

7. In the case of a member whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General 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 is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

KOYO INTERNATIONAL LIMITED
(Company Registration Number: 200100075E)
(Incorporated in Singapore)

PROXY FORM
EXTRAORDINARY GENERAL MEETING
(Please see notes overleaf before completing this Form)

IMPORTANT:
1 For investors who have used their CPF monies to buy Shares in the Company, this Circular is sent to them at the request of their CPF Approved Nominees solely for information only.
2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3 CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We ______________________________ (Name),
* NRIC/Passport No./Co. Registration No.______________________________
of ______________________________
__________ (Address) being a *member/members of Koyo International Limited (the "**Company**"), hereby appoint:

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

*and/or (delete as appropriate)

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

or failing *him/her/them, the Chairman of the Extraordinary General Meeting (the "**EGM**") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf, and if necessary, to demand a poll at the EGM of the Company to be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964 on 29 April 2015 at 10.00 a.m. or immediately after the conclusion of Annual General Meeting of the Company to be held at 9.00 a.m. on the same day and at the same place and at any adjournment thereof.

If no specific directions as to voting are given, the*proxy/proxies will vote or abstain from voting at *his/their discretion. or at any adjournment thereof.

* Please delete accordingly

ORDINARY RESOLUTION	To be used on show of hands		To be used in the event of a poll	
	For*	Against*	Number of Votes For**	Number of votes Against**
1. To approve the Proposed Diversification of the Group's Existing Core Business to include the Proposed Business.				

Notes:
* Please indicate your vote "For" or "Against" with an "x" within the box provided.
** If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Otherwise, please indicate number of votes.

All capitalised terms used in this Proxy Form which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Company's Circular to Shareholders dated 14 April 2015 (including supplements and modifications thereto).

Date this __________ day of __________ 2015.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature of Member(s) or, Common Seal
IMPORTANT: PLEASE READ NOTES OVERLEAF

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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and the number of Shares registered in your name in the Register of Shareholders. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A Member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his stead. A member of the Company which is a corporation is entitled to appoint its authorized representative or proxies to vote on its behalf.

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

4 The instrument appointing a proxy or proxies together with the letter of power of attorney, if any under which it is signed or duly certified copy thereof, must be deposited at the registered office of the Company at **55 Ubi Avenue 3 #04-01, Singapore 408864**, not less than forty-eight (48) hours before the time set for the EGM.

5 A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act Chapter 50 of Singapore.

6 The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy.

7 In the case of a member whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the EGM, 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 is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 14 April 2015.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

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