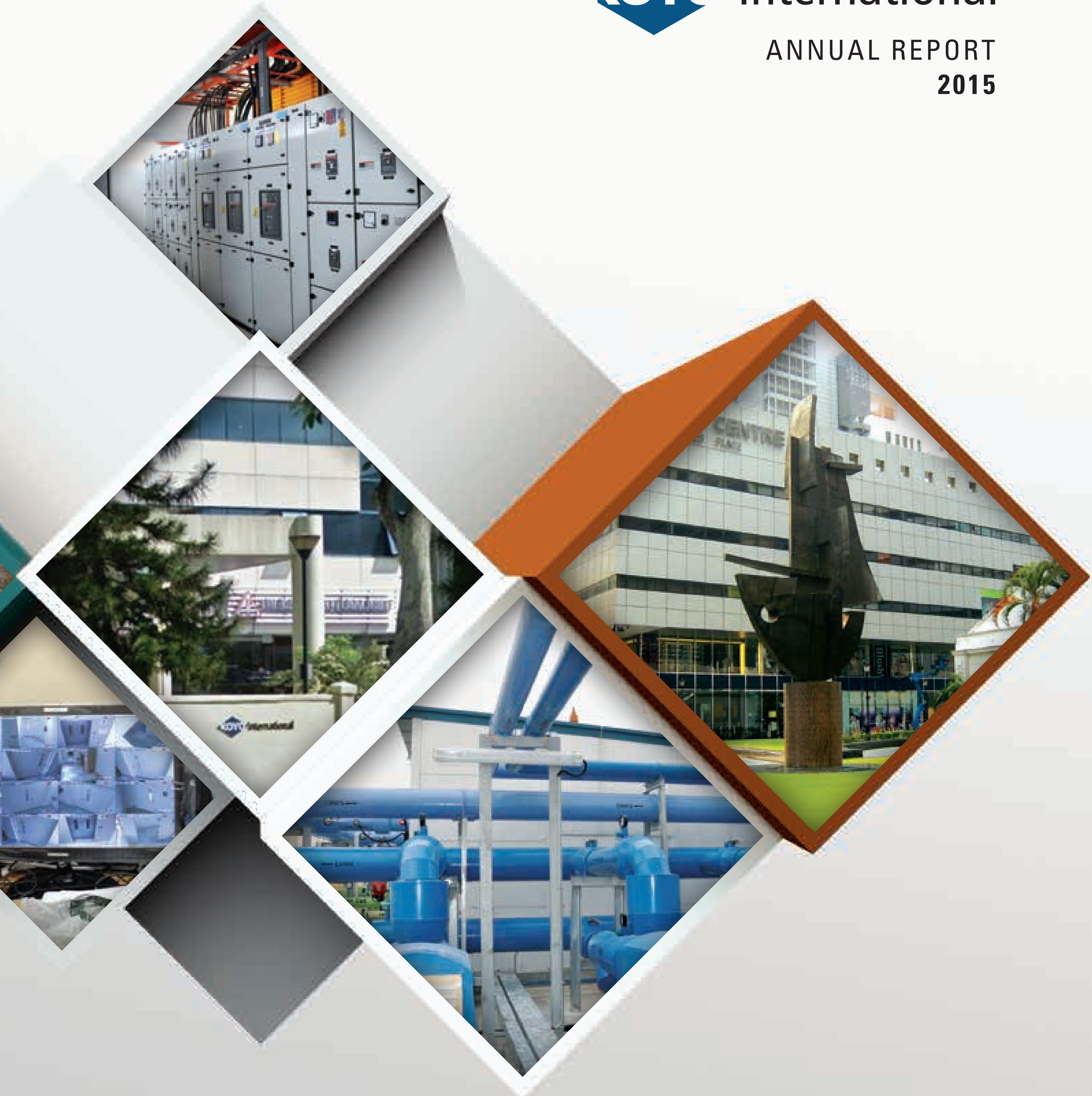
KOYO International

ANNUAL REPORT
2015



EXPANDING OUR
GROWTH AND
PRESENCE

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KOYO

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 2015 (FY2015).

The Group has built on its FY2014 results by achieving another positive performance with a net profit of $1.1 million for FY2015. This is especially noteworthy in light of the growing economic uncertainties in Singapore towards the end of 2015. This result is testament to the sound fundamentals of the Group.

FINANCIAL REVIEW

Total revenue for FY2015 was $14.6 million, which is a decrease of 28.0% compared to that of last year. This is mainly due to the completion of a major project earlier in the financial year and the commencement of new projects only in the second half of the financial year. Net profit for FY2015 was therefore reduced to $1.1 million (FY2014: $1.9 million), which amounted to an earnings of 0.57 cents per share (FY2014: 1.00 cents).

The decrease in revenue, coupled with our various cost control measures in place, has also resulted in the 21% decrease in trade and other payables, which now stands at $4.1 million as at the end of FY2015. The lower payable balance is mainly because of our strong cash position ($14.4 million as at 31 December 2015) which gives us the flexibility in making early payments to those creditors who offer substantial discounts for their supplies of goods to us. Receivables turnover remained stable and we believe that there is no significant risk of non-collectability as the majority of our clients are public-related organisations.

DIVIDEND

In appreciation of our shareholders' long-term support and on the basis of the positive results, the Board is recommending a first and final dividend of $0.0015 per share, to be approved by shareholders in the forthcoming Annual General Meeting.

SHARE BUYBACK AND EMPLOYEE SHARE OPTION SCHEME

Subsequent to year end, the Company purchased its own shares of 6.3 million. No further share options to employees were granted since the last grant in January 2013. As at 31 March 2016, the number of shares outstanding under the granted share options is 4,665,000 shares.

OUTLOOK

The Group believe that the outlook for the construction sector in the upcoming year will remain challenging for the most part of 2016. This is owing to many local factors, the most significant of which is that tendering opportunities for private building projects which 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. Furthermore, given the slowdown in the overall Singapore economy, we believe that the tender opportunities will become fewer and more competitive.

Nevertheless, with our years of proven track records and reputation in the Singapore construction industry, experienced management team, and secured projects, we believe that the Group will be well-positioned to ride out any difficulties.

CORPORATE DEVELOPMENTS

In January 2016, we secured another contract for the design, supply, installation and maintenance of new water-cooled packaged units under Ascendas Services Pte Ltd. With this new contract, the Group has 3 projects and 4 maintenance contracts on hand that are collectively valued at approximately S$37.5 million. These are multi-year contracts that cover up to the year 2021. Of course, in addition to the already secured contracts, we will also regularly tender for new projects and follow up on opportunities.

Over the course of the year, we have been working together with various building owners to design and implement the use of phase change materials in their chiller plant upgrading projects. Phase change material is a new technology that can be used to significantly improve the chiller plant performance of buildings. This is especially important because the largest component of building energy consumption is the energy consumption of air-conditioning systems. That said, the use of phase change materials is still in its infancy in Singapore and we are possibly the earliest integrator of the technology for chiller plant systems in Singapore. As such, we will continue to educate users and owners about the potential benefits of such a system and to encourage the adoption of the phase change material in designs of chiller plant systems in Singapore.

We are pleased to announce that Koyo International Limited was awarded the Singapore 1000 Company award 2016 on 26 February 2016. According to the award rankings, the Company was ranked 300th in terms of earnings per share and 475th in terms of sales turnover amongst public listed companies, and 898th in terms of return on assets and 968th in terms of profit margin amongst all companies.

The Company is deeply honoured to win this prestigious award as it serves as recognition of the company's stature as one of the top 1 per cent of Singapore's leading corporations and SMEs. According to DP Information Group, this is a distinctive symbol of achievement reserved only for the most influential business in the country. The event was co-organised by DP Information Group and Ernst and Young Solutions LLP, and supported by the Singapore Business Federation, International Enterprise Singapore, SPRING Singapore, Accounting and Corporate Regulatory Authority, and the Infocomm Development Authority of Singapore.

APPRECIATION

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

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

13 April 2016

BUSINESS OVERVIEW

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

PROVISION OF MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

We offer a total solutions package which involves design, integration, build, implementation, test, commission and maintenance for our customers. This includes designing and installing of high and low-voltage electrical distribution systems, air conditioning and mechanical ventilation systems as well as fire protection systems. We also provide maintenance, repair and replacement services for commercial buildings, hotels, schools and libraries in Singapore. Our engineering designs and installation work are applicable to clients in the construction, marine, oil and gas, industrial and pharmaceutical industries. At Koyo, we aim to provide value to all customers by anticipating their every needs and problems. This will allow us to provide to our customers the best engineering solutions at the highest attainable standards 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 started the supply of construction materials related business which includes the procurement, supply and importation of essential construction materials including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates. As part of the business of supplying construction materials, we will also engage in the ownership, acquisition and operation of mines and concession to produce and process construction materials, including but not limited to sand and granite. We will also offer a series of services such as chartering, operation and management of sea going vessels, as well as provision of marine transportation, logistics and support services, including but not limited to stevedoring and dredging services. In 2015, shareholders' approval was obtained for the diversification of the Group's business to include, inter alia, the business of supply of construction materials.

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

PERFORMANCE REVIEW

REVENUE

Koyo recorded revenue of approximately $14.6 million for the financial year ended 31 December 2015 (“FY2015”) representing a decrease of 28.0% as compared to $20.3 million recorded in financial year ended 31 December 2014 (“FY2014”). The decrease in total revenue was mainly due to the completion of existing mechanical engineering projects in the first half of FY2015 and the commencement of new projects only in the second half of the year.

COST OF SALES

In tandem with the decrease in revenue, cost of construction decreased by 35.2% to approximately $9.7 million for FY2015. Gross profit decreased by 7.8% to approximately $4.9 million in FY2015 as compared to $5.4 million in FY2014.

GROSS PROFIT MARGIN

Koyo’s gross profit margin increased from 26.4% in FY2014 to 33.8% in FY2015. The increase was mainly due to the improvement of gross profit margin of the facilities management segment.

PROFIT BEFORE TAX

The Group recorded a pre-tax profit of $ 1.2 million in FY2015. This was a decrease of $ 0.8 million as compared to FY2014 and was largely due to lower revenue recorded.

BALANCE SHEET

Cash and cash equivalents decreased approximately by $1.3 million or 8.4%, from $15.7 million as at 31 December 2014 to $14.4 million as at 31 December 2015. The decrease is mainly due to the payments to trade and other creditors and a payment of final dividend of $382,000 for FY2014.

Trade and other receivables increased by $0.9 million or 13%, to $7.8 million as at 31 December 2015. Trade receivables turnover increased from 46 days in FY2014 to 56 days at the end of FY2015.

Trade and other payables decreased by $1.1 million or 21%, to $4.1 million as at 31 December 2015.

THREE-YEAR FINANCIAL SUMMARY

	2015 $'000	2014 $'000	2013 $'000
Consolidated Income Statement			
Revenue	14,641	20,321	15,147
Profit before income tax	1,211	2,065	1,057
Profit after income tax	1,084	1,911	970
Profit attributable to equity holders of the Company	1,084	1,911	970
Consolidated Balance Sheet			
Property, plant and equipment	96	136	229
Cash and cash equivalents	14,393	15,708	11,237
Other assets	7,790	6,918	10,871
Total assets	22,279	22,762	22,337
Total borrowings	–	12	34
Other liabilities	4,249	5,424	6,577
Total liabilities	4,249	5,436	6,611
Net assets	**18,030**	**17,326**	**15,726**
Share capital	4,199	4,169	4,169
Other reserves	(150)	(122)	(98)
Retained profit	13,981	13,279	11,655
Shareholders' equity	**18,030**	**17,326**	**15,726**
Ratios			
Profit attributable to equity holders of the Company as a percentage of:			
Total revenue	7.40%	9.40%	6.40%
Average shareholders' equity (Note 1)	6.13%	11.56%	6.37%
Per share:			
Earnings attributable to the equity holders of the Company (Note 2)	0.57 ¢	1.00 ¢	0.51 ¢
Net asset value (Note 3)	9.41 ¢	9.07 ¢	8.23 ¢
Dividends paid and / or proposed (Note 4)			
Final dividend	0.15 ¢	0.20 ¢	0.15 ¢

Notes:

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

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

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

(4) Please refer to Note 22 of the Notes to the Financial Statements for the treatment of the proposed dividend in the accounts. Dividend proposed for FY2015 is subject to the approval of shareholders at the forthcoming annual general meeting on 28 April 2016.

CORPORATE STRUCTURE

CORPORATE PROFILE

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

KOYO ENGINEERING

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

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

With the Building and Construction Authority ("BCA") gradings of L5 for electrical engineering and L6 for (i) air-conditioning, refrigeration & ventilation works; and (ii) integrated building services, Koyo Engineering is able to undertake mechanical and electrical services work of unlimited value for public projects. This is because the L6 grading is the highest category issued by the BCA. In 2016, Koyo Engineering obtained a BCA grading of L3 for SY04 for Electrical Equipment which allows us to supply heavy electrical equipment such as switchgears and transformers.

With over 32 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 162 projects, which includes consulting, design, procurement and fabrication and construction projects.

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

AVSC TECHNOLOGIES

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

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

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's largest capacity for phase change material with a chiller plant system. This is particularly important because phase change material can be used to help the chiller plant system to run at the most efficient level even during high or low load conditions. The proprietary blend of inorganic hydrated salts used as the phase change material can

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

OHSAS 18001 AJA Certificate No: APSG/09/HS/392

bizSAFE STAR

SINGAPORE ACCREDITATION COUNCIL Reg No: QS-2001-11

SINGAPORE 1000
SINGAPORE SME 1000
INTERNATIONAL 100

CORPORATE PROFILE

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 February 2016, Koyo International Limited was awarded the prestigious Singapore 1000 Company award 2016.

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

BOARD 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 29 April 2015. 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 banks in Malaysia and other countries. 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 Real Estate Investment Trust listed on the Main Market of Bursa Malaysia Securities Berhad.

Past Directorship over the Preceding Three Years
Kriss Asset Holdings Berhad

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

Chek Heng has been the director of Koyo Engineering since June 1993 and a director of Koyo M&E since 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.

YEO GUAT KWANG
Independent Director

Yeo Guat Kwang was appointed to the Board on 15 July 2009 and was last re-elected on 29 April 2015. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Guat Kwang is a Director of NTUC, Chairman of the Migrant Workers Centre and also serves as a member of the Board of Directors of the Agri-Food & Veterinary Authority of Singapore and SIIC Environment Holdings Ltd.

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

FOO SUAY WEI
Executive Director

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

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

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

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 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 Accountants. She holds a Bachelor degree of Accountancy from the National University of Singapore.

CORPORATE GOVERNANCE

Koyo International Limited (the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiary corporations (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 practices that were in place during the financial year ended 31 December 2015 ("**FY2015**") with specific reference made to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Limited ("**SGX-ST**") in January 2015 (the "**Guide**"). Where applicable, deviations from the Code and Guide 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) Convening of shareholders' meetings; and

(6) Declaration of interim dividends and proposal of final dividends.

The Board conducts scheduled meetings at least four times a year at regular intervals, and ad hoc meetings are conducted as and when circumstances require. 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 Constitution. 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 FY2015 are as follows:

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

Notes:

* The Board meeting held in November 2015 was conducted with Mr. Lee Chen Chong in attendance through teleconferencing and with the relevant papers and agenda circulated to him.

N/A denotes not applicable.

CORPORATE GOVERNANCE

The members of the Board are regularly updated on 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. During FY2015, the external auditors of the Company has during the presentation of the audit plan to the AC also provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements and the Company Secretary had provided updates to the Board on the amendments to the Companies Act, Chapter 50 of Singapore.

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

Board Composition and Guidance
Principle 2: Strong and Independent Board

Currently, the Board comprises 5 Directors of whom three (3) are Independent and Non-executive Directors. The Board maintains a strong independent element as more than half of its members are independent, within the meaning of the Code.

The Board members are as follows:

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

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, and the Board has determined, taking into account the views of the NC, that the aforementioned directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the aforementioned directors' judgement. In performing the NC's review of the independence of the aforementioned Directors, Mr. Yeo Guat Kwang and Ms Serena Lee Chooi Li, being members of the NC, has each abstained from participating in the review of the assessment of his/her independence. In addition, in performing the Board's review of the independence of the aforementioned Directors, Mr. Lee Chen Chong, Mr. Yeo Guat Kwang and Ms Serena Lee Chooi Li, each abstained from participating in the review of the assessment of his/her independence.

Principle 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.

Principle 2.4 of the Code states that the independence of any director who has served on the Board beyond nine years from the date of his or her first appointment should be subject to particularly rigorous review. In this regard, the NC noted that Ms Serena Lee Chooi Li was first appointed to the Board on 13 June 2007. The NC also noted that she will be retiring by rotation at the forthcoming AGM, and she has offered herself for re-election. Upon re-election, she will be serving on the Board beyond nine years from the date of her first appointment.

Notwithstanding the aforementioned, the Board is of the view that Ms Serena Lee Chooi Li is independent as she has (i) contributed constructively throughout her term in the Company; (ii) sought clarification and amplification as she deemed necessary, including through direct access to key management personnel; and (iii) provided impartial advice and insights, and has exercised her independent judgment at Board and Board Committee meetings in doing so. Based on the aforementioned, the Board is of the view that she has been and has the ability to continue exercising independent judgment in the best interests of the Company in the discharging of her duties as an Independent Director of the Company. Ms Serena Lee Chooi Li abstained from the determination of her own independence.

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

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

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

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

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

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

The Independent and Non-Executive Directors have met at least once per year in the absence of key management personnel in FY2015.

Chairman and Chief Executive Officer
Principle 3: Clear Division of Responsibilities of the Company's Board and Management

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

As Managing Director/CEO, 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.

CORPORATE GOVERNANCE

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

The Board comprises five (5) Directors, two (2) of whom are Executive Directors while three (3) are Independent and Non-Executive Directors.

Name of Directors	Position	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Lee Chen Chong	Independent and Non-executive Chairman	21.01.2009	29.04.2015
Foo Chek Heng	Managing Director/Chief Executive Officer	21.01.2009	21.04.2014
Foo Suay Wei	Executive Director	26.12.2014	29.04.2015
Yeo Guat Kwang	Independent Director	15.07.2009	29.04.2015
Serena Lee Chooi Li	Independent Director	13.06.2007	26.04.2013

The 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 which includes:

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

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

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

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

(e) reviewing the composition of the Board annually; and

(f) reviewing of Board succession plans for Directors, in particular the Managing Director/CEO.

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 Constitution, 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 99 of the Company's Constitution, the retiring Director shall be eligible for re-election.

Mr Lee Chen Chong ("Mr Lee") who is over the age of 70 was re-appointed as Director of the Company in accordance with the then Section 153(6) of the Companies Act, Chapter 50 of Singapore ("Act"), to hold office from the date of the 2015 AGM, being 29 April 2015 until the date of the forthcoming AGM. As his appointment will lapse at the forthcoming AGM, Mr Lee will be seeking re-election to continue office. Section 153(6) of the Companies Act was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. Upon his re-election at the conclusion of the forthcoming AGM, Mr Lee will then be subject to retirement by rotation under the Company's Constitution.

Ms Serena Li Chooi Li who was last re-elected on 26 April 2013 is due to retire at the forthcoming AGM.

The NC, having reviewed and is satisfied with their overall contribution and performance as directors of the Company, has recommended that Mr Lee Chen Chong and Ms Serena Lee Chooi Li be nominated for re-election at the forthcoming AGM. Ms Serena Lee Chooi Li abstained from voting on the proposal to re-nominate herself for re-election.

Mr. Lee Chen Chong will, upon re-election as a director of the Company, remain as the Independent and 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 Listing Manual: Section B Rules of Catalist of the SGX-ST ("Catalist Rules").

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

In FY2015, there were no new appointments of directors. New directors are appointed by the Board upon the recommendation of the NC. In the nomination and selection process, the NC first considers the range of skills and experience required in the light of the, *inter alia*,:

(a) Strategic direction and progress of the Group;

(b) Current composition of the Board; and

(c) Need for independence.

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

Notwithstanding that some of the directors have multiple board representations, the Board is satisfied that each director is able to and has been adequately carrying out his duties as a director of the Company. Only two (2) Directors is a director of other listed companies 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 a 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 11 of this annual report.

CORPORATE GOVERNANCE

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 NC reviews the criteria for evaluation annually and making changes where necessary, which would be subject to the approval of the Board. The review parameters for evaluating each Director include, among others, the followings:

i. attendance at board/committee meetings;

ii. preparedness and participation at meetings;

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

iv. knowledge, abilities, teamwork and integrity.

The NC also assessed the effectiveness of the Board as a whole by evaluating factors such as the adequacy and size of the Board, the individual director's contribution towards the effectiveness of the Board, the Board's access to information, Board processes and accountability and communication with senior management. Each Director completes a self-evaluation checklist which integrates the assessment of the Board, Board committees, Chairman and individual directors.

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

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

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

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 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 RC is chaired by Ms 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, *inter alia*, as follows:

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

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

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

The RC met once in FY2015.

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 such remuneration packages are aligned with the interests of shareholders and promote the long-term success of the Group.

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 and Non-Executive 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 Independent and Non-Executive Directors. Save for Director's fees, which have to be approved by the Shareholders at every AGM, the Independent and Non-Executive Directors do not receive any other remuneration from the Company.

CORPORATE GOVERNANCE

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 for FY2015 is as follows:

	Director Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	**%**
$500,000 – $750,000						
Foo Chek Heng	–	67	23	10	–	**100**
$250,000 – $500,000						
Foo Suay Wei	–	63	21	16	–	**100**
Below $250,000						
Lee Chen Chong	100	–	–	–	–	**100**
Yeo Guat Kwang	100	–	–	–	–	**100**
Serena Lee Chooi Li	100	–	–	–	–	**100**

Note:

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

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

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 FY2015 is as follows:

	Director Fee	Salary & CPF	Bonus	Allowance	KSOS Options^	Total
	%	%	%	%	%	
Below $250,000						
Heng Jee Moi	–	94	6	–	–	**100**
Dalat Kositanon	–	83	12	5	–	**100**
Goh Hwee Hiong	–	88	12	–	–	**100**
Goh Chin Hiew	–	79	17	4	–	**100**
Goh Teck Soon	–	87	13	–	–	**100**

Note:

^ Details of the KSOS can be found on pages 21 to 22, 32 and 33 of this annual report.

Details, in incremental bands of S$50,000, of the remuneration of employees who are immediate family members of a director or the Managing Director/CEO whose remuneration exceeds S$50,000 for FY2015 is as follows:–

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

For FY2015, the total remuneration paid to the directors of the Group was $1,318,000 and the total remuneration paid to the key top 5 executives (who are not the Directors or the Managing Director/CEO) of the Company was S$645,000.

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 FY2015, the Group has made payment of bonus upon the individual's performance conditions met.

Share Option Schemes

The Koyo International Employee Share Options Scheme 2011 (the "KSOS") was approved by Shareholders and adopted by the Company on 25 April 2011.

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

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

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

(iii) to 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.

CORPORATE GOVERNANCE

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

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

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

During the financial year ended 31 December 2015, the details of the Options granted to directors and key executives pursuant to the KSOS are as follows:–

Participant	Balance as at 01.01.15	Options granted during the financial year	Options lapsed/ cancelled during financial year	Options exercised during the financial year	Balance as at 31.12.15
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 Employees					
Dalat Kositanon	400,000	–	–	–	400,000
Goh Hwee Hiong	400,000	–	–	–	400,000
Goh Chin Hiew	400,000	–	–	–	400,000
	5,565,000	–	–	(500,000)	5,065,000

Further details of the KSOS can be found on pages 64 to 67, note 19 of this Annual Report.

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 updates shareholders on the operations and financial position of the company through half-yearly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Board has also received assurance from the Managing Director/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 FY2015; and (ii) the Company's risk management and internal control systems in place are effective as at 31 December 2015 (the "**Assurance**"). The Board has additionally relied on the IA's internal audit reports issued to the Company for FY2015 as assurances that the Company's risk management and internal control systems are effective.

Based on the internal controls established and maintained by the Group, work performed by the IA, the Assurance, and reviews performed by the management, various Board Committees and the Board, the Board with the concurrence of the AC, is of the opinion that the internal controls and risk management systems of the Group are adequate in addressing the Group's financial, operational, compliance and information technology risks as at 31 December 2015.

The system of internal controls and risk management established by the Group provides reasonable, but no absolute, assurance that the Group's assets are safeguarded. The Board notes that no system of internal and risk management can provide absolute assurance in this regard.

CORPORATE GOVERNANCE

AUDIT COMMITTEE
Principle 12: Audit Committee

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

The Chairman of the AC, Mr Lee Chen Chong has spent a total of 34 years in the banking industry. Mr Yeo Guat Kwang, who is a Director of NTUC, is currently a member of the AC. Ms 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 2 meetings during FY2015. The AC has also met with external and internal auditors, without the presence of the Company's management, at least once in FY2015.

The key terms of reference of the AC includes, *inter alia*,:

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

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

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

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

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

During FY2015, 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.

During FY2015, 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 FY2015 is as follows:

Audit fees	–	$42,000
Non-audit fees	–	$Nil

There were no non-audit services fees paid to the external auditors in FY2015 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 the AC. The members will then report to the chairman of the Audit Committee. There were no whistle-blowing reports received during FY2015.

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.

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

The AC has reviewed the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls for FY2015.

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 list of interested person transactions of the Group for 2015 and reported its findings to the Board. There were no interested person transactions which were $100,000 and above for the financial year ended 31 December 2015.

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

CORPORATE GOVERNANCE

INTERNAL AUDIT
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, assesses the effectiveness of the IA by examining the scope of the IA work and its independence of areas reviewed and the IA's report. The AC is satisfied that the internal audit function has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

The AC met with the IA without the presence of management at least once during FY2015.

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

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 Catalist Rules. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. The Company does not have a dedicated investor relations team, as communications with shareholders are the responsibility of the Company's management.

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$0.0015 per ordinary share in respect of FY2015 which is subject to shareholders' approval at the forthcoming AGM.

All Shareholders will receive the annual report and notice of general meeting on a timely basis. The notice in relation thereto will also be advertised on newspaper(s) 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, 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.

Shareholders are given the opportunity to participate effectively in and to vote at general meeting of shareholders, including the opportunity to appoint a proxy to exercise their rights to vote at such meeting.

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

All resolutions will be put to vote by poll, and their details results will be announced via SGXNET after the conclusion of the general meeting.

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

ADDITIONAL INFORMATION

Dealing in Securities

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

Non-Sponsor Fees

No non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2015.

Material Contracts

There were no material contracts entered into by the Group involving the interests of any Director, and/or controlling shareholders and their associates, either still subsisting at the end of FY2015 or if not subsisting, which were entered into during FY 2015.

Interested Person Transactions ("IPT")

There were no IPT of S$100,000 and above during FY2015. The Company does not have a IPT general mandate.

CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 37 to 79 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, 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.

DIRECTORS

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

Lee Chen Chong	Non-Executive and Independent Chairman
Foo Chek Heng	Executive Director
Foo Suay Wei	Executive Director
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 33 of this statement.

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 21.01.2016	At 31.12.2015	At 01.01.2015	At 21.01.2016	At 31.12.2015	At 01.01.2015
Company						
(No. of ordinary shares)						
Foo Chek Heng	–	20,000,000	20,000,000	69,860,500	49,860,500	49,860,500
Yeo Guat Kwang	–	–	–	790,000	790,000	290,000
Serena Lee Chooi Li	1,500,000	–	–	–	–	–

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

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 subsidiary corporations on 21 January 2009, all the share options granted to non-executive employees of the subsidiary corporations 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 2014.

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.

SHARE OPTIONS (Continued)

(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 subsidiary corporations ("Management Buy Out" or "MBO") on share options

On completion of the MBO on 21 January 2009, the subsidiary corporations of Cyber Village Holdings Limited were no longer part of the group. Hence, any employees of the subsidiary corporations 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 in previous financial year 2014.

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

SHARE OPTIONS (Continued)

(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 and 400,000 ordinary shares of the Company on 15 Dec 2011 ("2011 Options") and 23 January 2013 ("2013 Options") respectively. The Company did not grant any options during the financial year.

SHARE OPTIONS (Continued)

(e) Share Options Outstanding

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

		No. of Unissued Ordinary Shares under Options as at 31.12.2015				
Type of shares options	**Date of grant**	**Balance as at 1.1.2015**	**Granted/ (exercised)**	**Balance as at 31.12.2015**	**Exercise price per share**	**Exercise period**
					$	
2011 Options – KSOS	December 2011	5,165,000	(500,000)	4,665,000	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
		5,565,000	(500,000)	5,065,000		

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	(500,000)	–	5,065,000	

(f) Options to take up unissued shares

During the financial year, there were 500,000 ordinary shares of the Company were issued by virtue of the exercise of options to take up unissued shares.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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 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 balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group;
- The cost effectiveness and the independence and objectivity of the independent auditor;
- Any interested person transactions in accordance with the requirements of the Listing Manual of SGX-ST.

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.

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

5 April 2016

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 37 to 79, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, 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 2015, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 28 to the financial statements, which stated that on 10 February 2016, the Managing Director, Mr Foo Chek Heng was the subject of investigation by the Monetary Authority of Singapore and Commercial Affairs Department ("CAD") of the Singapore Police Force for possible contravention under section 197 of the Securities and Future Act (Cap. 289). Our opinion is not qualified with respect to this matter.

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

5 April 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

		Group	
	Note	2015 $'000	2014 $'000
Revenue	4	**14,641**	20,321
Cost of construction		**(9,697)**	(14,958)
Gross profit		**4,944**	5,363
Other income	7	**251**	166
Expenses			
– Selling and distribution		**(105)**	(117)
– Administrative		**(3,843)**	(3,277)
– Other operating		**(36)**	(69)
– Finance	8	**–**	(1)
Profit before income tax		**1,211**	2,065
Income tax expense	9	**(127)**	(154)
Net profit		**1,084**	1,911
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value losses	20(b)(ii)	**(18)**	(28)
Other comprehensive loss, net of tax		**(18)**	(28)
Total comprehensive income		**1,066**	1,883
Profit attributable to:			
Equity holders of the Company		**1,084**	1,911
Total comprehensive income attributable to:			
Equity holders of the Company		**1,066**	1,883
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	10(a)	**0.57**	1.00
– Diluted	10(b)	**0.55**	0.97

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

BALANCE SHEETS

As at 31 December 2015

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**14,393**	15,708	**2,382**	2,561
Trade and other receivables	13	**7,758**	6,868	**23**	918
		22,151	22,576	**2,405**	3,479
Non-current assets					
Available-for-sale financial assets	12	**32**	50	**–**	–
Investments in subsidiary corporations	15	**–**	–	**27,950**	27,950
Property, plant and equipment	16	**96**	136	**–**	20
		128	186	**27,950**	27,970
Total assets		**22,279**	22,762	**30,355**	31,449
LIABILITIES					
Current liabilities					
Trade and other payables	17	**4,138**	5,240	**1,061**	2,097
Finance lease liabilities	18	**–**	12	**–**	12
Current income tax liabilities		**111**	184	**–**	–
		4,249	5,436	**1,061**	2,109
Total liabilities		**4,249**	5,436	**1,061**	2,109
NET ASSETS		**18,030**	17,326	**29,294**	29,340
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	**4,199**	4,169	**39,794**	39,764
Other reserves	20	**(150)**	(122)	**101**	111
Retained profits/(accumulated losses)		**13,981**	13,279	**(10,601)**	(10,535)
Total equity		**18,030**	17,326	**29,294**	29,340

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

		Attributable to equity holders of the Company			
	Note	**Share capital $'000**	**Other reserves $'000**	**Retained profits $'000**	**Total equity $'000**
2015					
Beginning of financial year		**4,169**	**(122)**	**13,279**	**17,326**
Total comprehensive income for the year		**–**	**(18)**	**1,084**	**1,066**
Dividend relating to 2014 paid	22	**–**	**–**	**(382)**	**(382)**
Issuance of share on exercise of share options	19,20	**30**	**(10)**	**–**	**20**
End of financial year		**4,199**	**(150)**	**13,981**	**18,030**
2014					
Beginning of financial year		4,169	(98)	11,655	15,726
Total comprehensive income for the year		–	(28)	1,911	1,883
Dividend relating to 2013 paid	22	–	–	(287)	(287)
Employee share option scheme					
– Value of employee services	20	–	4	–	4
End of financial year		4,169	(122)	13,279	17,326

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from operating activities			
Net profit		**1,084**	1,911
Adjustments for:			
– Income tax expense	9	**127**	154
– Employee share option expense	6	**–**	4
– Depreciation of property, plant and equipment	5	**70**	93
– Allowance for impairment of trade receivables	5	**–**	27
– Loss on disposal of property, plant and equipment	5	**–**	3
– Interest income	7	**(102)**	(97)
– Finance expenses	8	**–**	1
		1,179	2,096
Change in working capital:			
– Inventories		**–**	2
– Trade and other receivables		**(874)**	3,899
– Trade and other payables		**(1,102)**	(1,264)
Cash (used in)/generated from operations		**(797)**	4,733
Income tax paid		**(200)**	(43)
Net cash (used in)/provided by operating activities		**(997)**	4,690
Cash flows from investing activities			
Additions to property, plant and equipment	16	**(30)**	(3)
Interest received		**86**	94
Net cash provided by investing activities		**56**	91
Cash flows from financing activities			
Fixed deposits pledged to banks		**(5)**	(5)
Issuance of shares upon exercise of share options		**20**	–
Repayment of finance lease liabilities		**(12)**	(22)
Interest paid		**–**	(1)
Dividends paid to equity holders of the Company	22	**(382)**	(287)
Net cash used in financing activities		**(379)**	(315)
Net (decrease)/increase in cash and cash equivalents		**(1,320)**	4,466
Cash and cash equivalents			
Beginning of financial year		**15,011**	10,545
End of financial year	11	**13,691**	15,011

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

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 subsidiary corporations are disclosed in Note 15 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, and on a going concern basis, taking into consideration the following factors, and notwithstanding the matter as detailed in Note 28 to the financial statements:–

i. the Group is able to continue in its current operations and continue to maintain and generate sufficient cash flow to enable the Group to meet and discharge its obligations and liabilities in the normal course of business for the next twelve months. Whilst as at 31 December 2015, the Group is in a net asset position of $18,030,000 (2014: $17,326,000) with cash and cash equivalent amounting to $14,393,000 (2014: $15,708,000) and no external borrowings;

ii. the Board of Directors have agreed the managing director should continue as normal; and

iii. the Company continues to retain its key management staff and is adequately prepared for management succession.

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 2015

On 1 January 2015, 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.

2. Significant accounting policies (Continued)

2.2 Revenue recognition

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

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

(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.

2. Significant accounting policies (Continued)

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations 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. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

2. Significant accounting policies (Continued)

2.4 Group accounting (Continued)

(a) Subsidiary c*orporations (Continued)*

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation 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 subsidiary corporations" for the accounting policy on investments in subsidiary corporations 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.

2. Significant accounting policies (Continued)

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 2015

2. Significant accounting policies (Continued)

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 subsidiary corporations

Investments in subsidiary corporations 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 subsidiary corporations

Property, plant and equipment and investments in subsidiary corporations 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.

2. Significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

Property, plant and equipment
Investments in subsidiary corporations (Continued)

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.

2. Significant accounting policies (Continued)

2.9 Financial assets (Continued)

(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.

2. Significant accounting policies (Continued)

2.9 Financial assets (Continued)

(e) Impairment (Continued)

(i) Loans and receivables (Continued)

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

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

(ii) Available-for-sale financial assets

In 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 subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations 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.

2. Significant accounting policies (Continued)

2.11 Financial guarantees (Continued)

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

Intra-group transactions are eliminated on consolidation.

2.12 Trade and other payables

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

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

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices 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.

2. Significant accounting policies (Continued)

2.14 Leases (Continued)

(a) When the Group is the lessee: (Continued)

(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.

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the 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 subsidiary corporations, 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. Significant accounting policies (Continued)

2.16 Provisions for other liabilities and charges

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

2.17 Employee compensation

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

(a) Defined contribution plans

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

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each reporting 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 balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued to the employees.

(c) Employee leave entitlements

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 reporting 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. Significant accounting policies (Continued)

2.18 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

2.19 Segment reporting

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

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.21 Share capital

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

2.22 Dividends to Company's shareholders

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

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 $953,000 (2014:$425,000).

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 $664,000 (2014:$309,000).

(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 2015, management has made adequate allowance for impairment of trade receivables of $2,176,000 (2014: $2,176,000). The carrying amounts of trade receivables at the end of the reporting year was $7,472,000 (2014: $6,670,000).

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 (2014: $218,000).

4. Revenue

	Group 2015 $'000	Group 2014 $'000
Construction contracts	**7,497**	11,485
Facilities management	**7,144**	7,009
Supply of construction materials	**–**	1,827
	14,641	20,321

5. Expenses by nature

	Group 2015 $'000	Group 2014 $'000
Fees on audit services paid/payable to:		
– auditor of the Company	**42**	38
– other auditors	**6**	5
Purchases of construction material	**2,629**	4,734
Subcontractor charges	**6,508**	8,923
Ocean freight charges	**–**	613
Consultant and agent fees	**–**	132
Stevedoring charges	**–**	259
Loss on disposal of property, plant and equipment	**–**	3
Depreciation of property, plant and equipment (Note 16)	**70**	93
Allowance for impairment of trade receivables (Note 25(b)(ii))	**–**	27
Employee compensation (Note 6)	**3,625**	2,858
Professional fee	**139**	147
Rental expense on operating leases	**189**	126
Upkeep of motor vehicles and transportation	**95**	87
Other	**378**	376
Total cost of construction, selling and distribution, administrative and other operating expenses	**13,681**	18,421

6. Employee compensation

	Group 2015 $'000	Group 2014 $'000
Wages, salaries and short-term employee benefits	**3,455**	2,714
Employer's contribution to Central Provident Fund	**170**	140
Employee share option expense (Note 20(b)(i))	**–**	4
	3,625	2,858

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

7. Other income

	Group	
	2015	**2014**
	$'000	**$'000**
Interest income		
– Bank deposits	**102**	97
Government grant		
– SME cash grant[1]	**–**	15
– PIC grant[2]	**–**	50
– SEC (Special Employment Credit)[3]	**15**	–
– Wages credit from IRAS[4]	**9**	–
Compensation arising from insurance bond	**86**	–
Other	**39**	4
	251	166

(1) 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.

(2) 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.

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

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

8. Finance expenses

	Group	
	2015	**2014**
	$'000	**$'000**
Interest expense		
– Finance lease liabilities	**–**	1

9. Income taxes

(a) *Income tax expense*

	Group	
	2015	**2014**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax	**124**	187
– Under/(over) provision in prior financial years		
Current income tax	**3**	(33)
	127	154

9. Income taxes (Continued)

(a) Income tax expense (Continued)

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

	Group	
	2015	**2014**
	$'000	**$'000**
Profit before income tax	**1,211**	2,065
Tax calculated at tax rate of 17% (2014: 17%)	**206**	351
Effects of:		
– expenses not deductible for tax purposes	**15**	16
– income not subject to tax	**(8)**	(50)
– Singapore stepped income exemption	**(37)**	(59)
– tax incentives	**(46)**	(49)
– utilisation of previously unrecognised net deferred tax assets	**(9)**	(24)
– others	**3**	2
Tax charge	**124**	187

(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 $951,000 (2014: $1,006,000) 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	
	2015	**2014**
Net profit attributable to equity holders of the Company ($'000)	**1,084**	1,911
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**191,214**	191,058
Basic earnings per share (cents per share)	**0.57**	1.00

(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.

10. Earnings per share (Continued)

(b) Diluted earnings per share (Continued)

For share options, the weighted average number of shares in 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	
	2015	**2014**
Net profit attributable to equity holders of the Company ($'000)	**1,084**	1,911
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**191,214**	191,058
Adjustments for ('000)		
– Share options	**5,065**	5,565
	196,279	196,623
Diluted earnings per share (cents per share)	**0.55**	0.97

11. Cash and cash equivalents

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**7,429**	8,271	**1,350**	721
Short-term bank deposits	**6,964**	7,437	**1,032**	1,840
	14,393	15,708	**2,382**	2,561

Short-term bank deposits of $702,000 (2014:$697,000) 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 subsidiary corporations.

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

	Group	
	2015	**2014**
	$'000	**$'000**
Cash and cash equivalents (as above)	**14,393**	15,708
Less: Bank deposits pledged	**(702)**	(697)
Cash and cash equivalents per consolidated statement of cash flows	**13,691**	15,011

12. Available-for-sale financial assets

	Group	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**50**	78
Fair value losses recognised in other comprehensive income (Note 20(b)(ii))	**(18)**	(28)
End of financial year	**32**	50
Available-for-sale financial assets are analysed as follows:		
Listed securities		
– equity securities – Singapore	**32**	50

13. Trade and other receivables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Non-related parties	**3,345**	3,671	**–**	–
– Subsidiary corporations	**–**	–	**–**	573
	3,345	3,671	**–**	573
Less: Allowance for impairment of receivables				
– non-related parties (Note 25(b)(ii))	**(1,112)**	(1,112)	**–**	–
Trade receivables – net	**2,233**	2,559	**–**	573
Construction contracts				
– Due from customers (Note 14)	**5,488**	4,371	**–**	–
– Retentions (Note 14)	**815**	804	**–**	–
	6,303	5,175	**–**	–
Less: Allowance for impairment of receivables				
– non-related parties (Note 25(b)(ii))	**(1,064)**	(1,064)	**–**	–
Construction contracts – net	**5,239**	4,111	**–**	–
Other receivables				
– Non-related parties	**169**	133	**19**	10
– Subsidiary corporation	**–**	–	**–**	330
	169	133	**19**	340
Deposits	**86**	60	**–**	–
Prepayments	**31**	5	**4**	5
	7,758	6,868	**23**	918

In FY2014, the non-trade amount due from a subsidiary corporation was unsecured, interest-free and repayable on demand.

14. Construction contracts

	Group 2015 $'000	Group 2014 $'000
Construction contract work-in-progress:		
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**19,037**	35,685
Less: Progress billings	**(12,734)**	(30,510)
	6,303	5,175
Presented as:		
Due from customers on construction contracts (Note 13)	**5,488**	4,371
Retentions on construction contracts (Note 13)	**815**	804

15. Investments in subsidiary corporations

	Company 2015 $'000	Company 2014 $'000
Equity investments at cost		
Beginning of financial year	**27,950**	26,350
Additions	**–**	1,600
End of financial year	**27,950**	27,950

The Group had the following subsidiary corporations as at 31 December 2015 and 2014:

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2015 %	Proportion of ordinary shares held by the Group 2014 %
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
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

(1) Audited by Nexia TS Public Accounting Corporation.

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

15. Investments in subsidiary corporations (Continued)

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 subsidiary corporations would not compromise the standard and effectiveness of the audit of the Company.

16. Property, plant and equipment

Group	Computers	Office equipment and tools	Furniture and fittings	Motor vehicles	Renovation	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Cost						
Beginning of financial year	**120**	**94**	**102**	**611**	**4**	**931**
Additions	**1**	**1**	**–**	**28**	**–**	**30**
End of financial year	**121**	**95**	**102**	**639**	**4**	**961**
Accumulated depreciation						
Beginning of financial year	**120**	**86**	**67**	**520**	**2**	**795**
Depreciation charge (Note 5)	**1**	**3**	**11**	**54**	**1**	**70**
End of financial year	**121**	**89**	**78**	**574**	**3**	**865**
Net book value						
End of financial year	**–**	**6**	**24**	**65**	**1**	**96**
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

16. Property, plant and equipment (Continued)

Company	2015 Motor vehicles $'000	2014 Motor vehicles $'000
Cost		
Beginning and end of financial year	**203**	203
Accumulated depreciation		
Beginning of financial year	**183**	142
Depreciation charge	**20**	41
End of financial year	**203**	183
Net book value		
End of financial year	**–**	20

The carrying amount of motor vehicles held under finance leases is nil (2014: $20,000) at the balance sheet date.

17. Trade and other payables

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables				
– Non-related parties	**1,814**	3,142	**10**	1
Other payables				
– Non-related parties	**48**	23	**–**	–
– Subsidiary corporation	**–**	–	**920**	1,720
Accruals for operating expenses	**2,276**	2,075	**131**	376
	4,138	5,240	**1,061**	2,097

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

Accruals for operating expenses include cost accrued for projects of $1,275,000 (2014: $1,333,000) at the balance sheet date.

18. 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	
	2015	**2014**
	$'000	**$'000**
Minimum lease payments due		
– Not later than one year	**–**	12
	–	12
Less: Future finance charges	**–**	–
Present value of finance lease liabilities	**–**	12
The present value of finance lease liabilities are analysed as follows:		
Not later than one year	**–**	12

Finance lease liabilities of the Group and the Company were effectively secured over the motor vehicles (Note 16), as the legal title is retained by the lessor and was transferred to the Group and the Company upon full settlement of the finance lease liabilities.

19. Share capital

	2015		2014	
	No. of ordinary shares	**Amount $'000**	**No. of ordinary shares**	**Amount $'000**
Group				
Beginning of financial year	**191,058,497**	**4,169**	191,058,497	4,169
Issuance of shares	**500,000**	**30**	–	–
End of financial year	**191,558,497**	**4,199**	191,058,497	4,169
Company				
Beginning of financial year	**191,058,497**	**39,764**	191,058,497	39,764
Issuance of shares	**500,000**	**30**	–	–
End of financial year	**191,558,497**	**39,794**	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.

During the financial year ended 31 December 2015, the Company issued 500,000 ordinary shares for a total consideration of $20,000 for cash via exercise of the Share Option Scheme 2011. The newly issued shares rank pari passu in all respects with the previously issued shares.

19. Share capital (Continued)

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 corporation 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 as described in Note 2.4(b).

(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 subsidiary corporations on 21 January 2009, all the share options granted to non-executive employees of the subsidiary corporations lapsed at the date except for the share options granted to former director of the Company, Law Kam Kuan which has lapsed in the financial year 2014.

19. Share capital (Continued)

(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.

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

19. Share capital (Continued)

(c) Share Options Outstanding

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

	No. of Ordinary Shares under Options						
	Balance as at 1.1.2015	**Granted during financial year**	**Lapsed during financial year**	**Exercised during financial year**	**Balance as at 31.12.2015**	**Exercise price**	**Exercise period**
Group and Company							
2015							
2011 Options – KSOS	5,165,000	–	–	(500,000)	4,665,000	$0.04	15.12.13 – 14.12.16
2013 Options – KSOS	400,000	–	–	–	400,000	$0.053	23.01.15 – 22.01.18
	5,565,000	–	–	(500,000)	5,065,000		
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		

* 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 5,065,000 (2014: 5,565,000) shares, options for 5,065,000 (2014: 5,165,000) shares are exercisable at the balance sheet date.

Options exercised during the financial year ended 31 December 2015 resulted in 500,000 new ordinary shares being issued at the exercise price of $0.04 per share.

19. Share capital (Continued)

(c) Share Options Outstanding (Continued)

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

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

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

20. Other reserves

	Group		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
(a) Composition:				
Employee share option reserve	**101**	111	**101**	111
Fair value reserve	**(249)**	(231)	**–**	–
Premium paid on acquisition of non-controlling interests	**(2)**	(2)	**–**	–
	(150)	(122)	**101**	111
(b) Movements:				
(i) Employee share option reserve				
Beginning of financial year	**111**	107	**111**	112
Employee share option scheme – Value of employee services (Note 6)	**–**	4	**–**	4
Issuance of share on exercise of share options	**(10)**	–	**(10)**	–
Reversal for share options lapsed	**–**	–	**–**	(5)
End of financial year	**101**	111	**101**	111
(ii) Fair value reserve				
Beginning of financial year	**(231)**	(203)	**–**	–
Available-for-sale financial assets – Fair value losses (Note 12)	**(18)**	(28)	**–**	–
End of financial year	**(249)**	(231)	**–**	–
(iii) Premium paid on acquisition of non-controlling interests				
Beginning and end of financial year	**(2)**	(2)	**–**	–

Other reserves are non-distributable.

21. Retained profits

(a) Retained profits of the Group are distributable.

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

	Company	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**(10,535)**	(10,689)
Net profit	**316**	441
Dividends paid (Note 22)	**(382)**	(287)
End of financial year	**(10,601)**	(10,535)

22. Dividends

	Group	
	2015	**2014**
	$'000	**$'000**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 0.2 cents per share (2014: 0.15 cents per share)	**382**	287

At the forthcoming Annual General Meeting on 28 April 2016, a final dividend of 0.15 cents per share amounting to approximately $287,000 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 2016.

23. Contingencies

Group

As previously disclosed in the Annual Report for the financial year ended 31 December 2013, there is a claim involving a subsidiary corporation 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 corporation 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 is proceeding with no significant development since the end of previous financial year. The management is of the opinion that no contingent liabilities and assets should be recognised for the financial year ended 31 December 2015 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 $3.1 million (2014: $2.7 million) to banks for banking facilities of its subsidiary corporations. Utilisation of these banking facilities of the subsidiary corporations amounted to $856,000 (2014: $860,000) as at the balance sheet date.

The Company has evaluated both the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regard to the subsidiary corporations and of the opinion that they are minimal. The subsidiary corporations 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.

24. 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	
	2015	**2014**
	$'000	**$'000**
Not later than one year	**96**	96
Between one year and five years	**215**	24
	311	120

25. 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 policy seeks to ensure that adequate financial resources are available for the Group's business whilst managing its market risk, credit risk, liquidity risk and capital risk.

(a) *Market risk*

(i) *Currency risk*

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

(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% (2014:10%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income will not be significant.

25. Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(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 and other receivables. For trade and other receivables, the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history to mitigate credit risk. Bank deposits are mainly placed with financial institutions which have high credit ratings.

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

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

	Company	
	2015	**2014**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiary corporations' banking facilities	**3,100**	2,700

As at balance sheet date, banking facilities utilised by the subsidiary corporation to which the Company has provided a corporate guarantee is $856,000 (2014: $860,000).

The trade receivables of the Group comprise two debtors (2014: one debtor) that individually represented 10% of trade receivables.

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
By types of customers				
– Subsidiary corporation	**–**	–	**–**	573
– Non-related parties	**2,233**	2,559	**–**	–
	2,233	2,559	**–**	573

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Past due less than 3 months	**793**	317	**–**	–
Past due 3 to 6 months	**334**	36	**–**	–
Past due over 6 months	**388**	387	**–**	–
	1,515	740	**–**	–

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	Group	
	2015	**2014**
	\$'000	**\$'000**
Trade receivables – gross amount	**1,112**	1,112
Less: Allowance for impairment (Note 13)	**(1,112)**	(1,112)
	–	–
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	**2,176**	2,149
Allowance made (Note 5)	**–**	27
End of financial year	**2,176**	2,176

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

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

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments having adequate amount of committed credit facilities. 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 the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

25. Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year $'000	Between 1 and 5 years $'000	Total $'000
Group			
At 31 December 2015			
Trade and other payables	**4,138**	**–**	**4,138**
At 31 December 2014			
Trade and other payables	5,240	–	5,240
Finance lease liabilities	12	–	12
Company			
At 31 December 2015			
Trade and other payables	**1,061**	**–**	**1,061**
Financial guarantee contracts	**856**	**–**	**856**
At 31 December 2014			
Trade and other payables	2,097	–	2,097
Finance lease liabilities	12	–	12
Financial guarantee contracts	10	850	860

(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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Net assets	**18,030**	17,326	**29,294**	29,340

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

25. Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements

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

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) 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

(iii) 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	
2015	**32**
2014	50

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices at the balance sheet date. 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**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Loans and receivables	**22,120**	22,571	**2,401**	3,474
Financial liabilities at amortised cost	**4,138**	5,252	**1,061**	2,109

26. 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 2015, 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 17 to the financial statements.

(b) Key management remuneration

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

	Group	
	2015	**2014**
	$'000	**$'000**
Directors' fees	**120**	120
Salaries and short-term employee benefits	**2,001**	1,762
Employer's contribution to Central Provident Fund	**109**	92
Employee share option expense	**–**	4
	2,230	1,978

The above includes total remuneration to directors of the Company and its subsidiary corporations amounting to $1,318,000 (2014: $848,000).

27. 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, 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.

27. Segment information (Continued)

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

	Mechanical Engineering $'000	Electrical Engineering $'000	Facilities Management $'000	Supply of Construction Materials $'000	Total $'000
2015					
Revenue					
Revenue from external parties	**7,492**	**5**	**7,144**	**–**	**14,641**
Gross profit	**2,778**	**1**	**2,165**	**–**	**4,944**
Segment assets	**5,134**	**275**	**2,057**	**–**	**7,466**
Segment liabilities	**1,511**	**145**	**911**	**–**	**2,567**
2014					
Revenue					
Revenue from external parties	11,479	6	7,009	1,827	20,321
Gross profit/(loss)	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

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 2015 $'000	Group 2014 $'000
Gross profit for reportable segments	**4,944**	5,363
Other income	**251**	166
Selling and distribution expenses	**(105)**	(117)
Administrative expenses	**(3,843)**	(3,277)
Other operating expenses	**(36)**	(69)
Finance expenses	**–**	(1)
Profit before income tax	**1,211**	2,065

27. Segment information (Continued)

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

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

	Group	
	2015	**2014**
	$'000	**$'000**
Segments' assets for reportable segments	**7,466**	6,660
Other assets		
Unallocated:		
Cash and cash equivalents	**14,393**	15,708
Other receivables	**292**	208
Available-for-sale financial assets	**32**	50
Property, plant and equipment	**96**	136
	22,279	22,762

(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	
	2015	**2014**
	$'000	**$'000**
Segments' liabilities for reportable segments	**2,567**	4,346
Other liabilities		
Unallocated:		
Other payables	**1,571**	894
Current income tax liabilities	**111**	184
Finance lease liabilities	**–**	12
	4,249	5,436

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

Revenue of approximately $6,442,000 (2014: $8,604,000) are derived from two external customers (2014: one). This revenue is attributable to the mechanical engineering segment.

28. Events occurring after the balance sheet date

In February 2016, the Company announced that it had been informed by its Managing Director that he was the subject of investigation by the Monetary Authority of Singapore (the "Authority") and Commercial Affairs Department ("CAD") of the Singapore Police Force for possible contravention under section 197 of the Securities and Futures Act (Cap. 289). The Board of Directors was informed by the Managing Director that he disputed the allegation by the Authority and CAD, and that he would cooperate fully with the Authority and CAD in their investigation.

The Board of Directors are of the opinion that the business and operations of the Group and of the Company are not affected in any way by this investigation and will continue as normal. The Nominating Committee has undertaken a review and has recommended to the Board of Directors that Managing Director should continue as normal.

29. New or revised accounting standards and interpretations

Below are the mandatory standards and 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 2016 and which the group has not early adopted.

Effective for annual periods beginning on or after 1 January 2016

- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 1 Disclosure Initiative
- Amendments to FRS 27 Equity Method in Separate Financial Statements
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants
- Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception
- Improvements to FRSs (November 2014)
  - Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations
  - Amendments to FRS 107 Financial Instruments: Disclosures
  - Amendment to FRS 19 Employee Benefits
  - Amendment to FRS 34 Interim Financial Reporting

29. New or revised accounting standards and interpretations (Continued)

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 Revenue from Contracts with Customers
- FRS 109 Financial Instruments

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

30. 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 5 April 2016.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

Issued and fully paid-up share capital	–	S$39,817,742
Number of issued shares	–	185,658,497 (with voting rights)
Class of shares	–	Ordinary shares
Voting rights	–	One (1) vote per ordinary share
Number of treasury shares	–	6,300,000

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FOO CHEK HENG	69,860,500	37.63
2	SALIX CAPITAL PTE LTD	49,449,500	26.63
3	TAI CHIEW SHAM	6,551,800	3.53
4	TAI HO FAH	4,094,600	2.21
5	JOHN HAMILTON CAPITAL LTD	3,400,000	1.83
6	LOH NGIAP CHEW	2,923,300	1.57
7	CIMB SECURITIES (SINGAPORE) PTE LTD	2,570,003	1.38
8	RAFFLES NOMINEES (PTE) LIMITED	2,178,700	1.17
9	ONG SWEE GUAN	2,165,250	1.17
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,830,500	0.99
11	CITIBANK NOMINEES SINGAPORE PTE LTD	1,531,100	0.82
12	UOB KAY HIAN PTE LTD	1,416,750	0.76
13	OCBC SECURITIES PRIVATE LIMITED	1,228,348	0.66
14	KOH KIN TONG	1,000,000	0.54
15	SONG FEIFEI	900,000	0.48
16	LIM SIN TAT	878,600	0.47
17	YEO GUAT KWANG	790,000	0.43
18	TWINPEAK CAPITAL PTE LTD	739,800	0.40
19	SEAH CHYE ANN (XIE CAI'AN)	700,000	0.38
20	DBS NOMINEES (PRIVATE) LIMITED	698,550	0.38
	TOTAL	**154,907,301**	**83.43**

STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	12	1.17	554	0.00
100 – 1,000	128	12.45	61,604	0.03
1,001 – 10,000	377	36.67	1,963,675	1.06
10,001 – 1,000,000	498	48.44	34,432,313	18.55
1,000,001 AND ABOVE	13	1.27	149,200,351	80.36
TOTAL	**1,028**	**100.00**	**185,658,497**	**100.00**

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 15 March 2016)

Name of Shareholders	Number of Shares			
	Direct Interest	Deemed Interest	Total	%
Foo Chek Heng	69,860,500	–	69,860,500	37.63
Salix Capital Pte Ltd	49,449,500*	–	49,449,500	26.63
Heng Jee Moi	–	49,449,500*	49,449,500	26.63
Foo Suay Lun	–	49,449,500*	49,449,500	26.63

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

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

Based on information available to the Company as at 15 March 2016, approximately 34.50% 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 Thursday, 28th day of April 2016 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 2015 together with the Directors' Statement and Auditor's Report thereon. **[Resolution 1]**

2. To declare a First and Final tax exempt (one-tier) Dividend of 0.15 Singapore cents per ordinary share as recommended by the Directors for the financial year ended 31 December 2015. **[Resolution 2]**

3. To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2016 payable quarterly in arrears (2015: 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, and who, being eligible, offers himself for re-election. [See Explanatory Note (i)] **[Resolution 4]**

5. To re-elect Ms Serena Lee Chooi Li as Director of the Company, who is retiring under Article 98 of the Constitution and who, being eligible, offers herself for re-election. [See Explanatory Note (ii)] **[Resolution 5]**

6. 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 6]**

AS SPECIAL BUSINESS

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

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

   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

(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 Shares (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 Constitution for the time being of the Company; and

(4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next 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 (iii)] **[Resolution 7]**

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

9. Approval for Renewal of Share Buyback Mandate

THAT:

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

(i) Market purchases ("**Market Purchases**") transacted on the 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 Constitution of the Company and the Catalist Rules as may for the time being be applicable be and is hereby authorised and generally and unconditionally (the "**Share Buyback Mandate**");

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

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

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

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

(c) for the purposes of this Resolution:

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

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

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

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

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

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

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

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

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

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

(f) the Directors of the Company and/or any of them be and are hereby authorised, empowered to complete and do and execute all such things and acts (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this ordinary resolution. **[Resolution 9]**

10. **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
13 APRIL 2016

NOTICE OF ANNUAL GENERAL MEETING

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

Explanatory Notes

i. Mr Lee Chen Chong ("Mr Lee") who is over the age of 70 was re-appointed as Director of the Company in accordance with the then Section 153(6) of the Companies Act, to hold office from the date of the 2015 AGM, being 29 April 2015 until the date of the forthcoming AGM. As his appointment will lapse at the forthcoming AGM, Mr Lee will be seeking re-election to continue office. Section 153(6) of the Companies Act was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. If re-elected at the AGM, Mr Lee will then be subject to retirement by rotation under the Company's Constitution. 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. Ms Serena Lee Chooi Li will, upon re-election as a director of the Company, remain as an Independent and Non-Executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

iii. Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next 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 percent. (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 percent. (50%) of the total number of issued Shares (excluding treasury 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 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or vesting of share awards outstanding or subsisting at the time when Resolution 7 is passed and any subsequent consolidation or subdivision of Shares.

iv. Ordinary resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next 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) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxies to vote on its behalf. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form.

(2) "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

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

(4) 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 subsidiary corporations, 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 13 APRIL 2016

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 2015 ("**Annual Report**"). Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders' approval for the renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on 28 April 2016 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 contents of this Addendum or 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 13 APRIL 2016

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	*(Chief Executive Officer/Managing Director)*	#04-01
Foo Suay Wei	*(Executive Director)*	Singapore 408864
Yeo Guat Kwang	*(Independent Director)*	
Serena Lee Chooi Li	*(Independent Director)*	

13 April 2016

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 13 April 2016 ("**Notice of AGM**") of Koyo International Limited ("**Company**") convening the AGM of the Company to be held on 28 April 2016.

1.2 The proposed Resolution 9 in the Notice of AGM relates to the renewal of the share buyback mandate ("**Share Buyback Mandate**"), which was previously approved by shareholders of the Company ("Shareholders') at the annual general meeting of the Company held on 29 April 2015, 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 28 April 2016, 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 28 April 2016.

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

2.2 **Rationale**

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

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

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

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

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

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

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

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

2.3.1 <u>Maximum Number of Shares</u>

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

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

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For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at 31 March 2016, being the latest practicable date (the "**Latest Practicable Date**"), comprising 185,658,497 Shares (excluding 6,300,000 treasury shares), and assuming that no further Shares are issued or purchased and kept as Treasury Shares on or prior to the AGM, not more than 18,565,849 Shares (representing 10% of the issued and paid-up share capital (excluding 6,300,000 treasury shares) of the Company as at the date of the AGM) may be purchased by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

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

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

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

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

2.3.3 Solvency

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

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

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

(b) if –

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

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

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

2.3.4 Manner of Purchase of Shares

Share Buybacks may be made by way of:

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

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

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

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

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

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

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

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

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

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

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share Buyback;

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

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

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

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

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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 reasonably practicable following settlement of any such purchase or acquisition.

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

2.5 **Treasury Shares**

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

2.5.1 Maximum Holdings

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

2.5.2 Voting and Other Rights

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

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

2.5.3 Disposal and Cancellation

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

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

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

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

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

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

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

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2.6 **Source of Funds**

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

2.7 **Reporting Requirements under the Companies Act**

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

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

2.8 **Tax Implications**

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

2.9 **Catalist Rules**

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

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

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

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

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

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

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

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

2.10 **Listing Status**

Catalist Rules requires a listed company to ensure that at least ten per cent (10%) of its Shares (excluding treasury shares) are in the hands of the public. The "public", as defined under the Catalist Rules, are persons other than (i) the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries; and the associates (as defined in the Listing Rules) of persons in (i). As at the Latest Practicable Date, there are 64,058,497 Shares in the hands of the public, representing 34.50% of the issued Shares of the Company (based on 185,658,497 issued Shares, excluding 6,300,000 treasury shares). As at the Latest Practicable Date, the Company has 185,658,497 issued Shares (excluding 6,300,000 treasury shares).

For illustration purpose only, assuming that the Company purchases the maximum number of 10% of the issued Shares, being 18,565,849 Shares as at the Latest Practicable Date, from members of the public by way of an On-Market Purchase and of which 12,895,849 of such share will be held as treasury share while the remaining 5,670,000 of such share will be cancelled, the resultant number of Shares held by the public after the purchase of such Shares would be 45,492,648 Shares, representing approximately 27.23% of the remaining issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there are sufficient numbers of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full ten per cent (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

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

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

(b) cause market illiquidity; or

(c) adversely affect the orderly trading of Shares.

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 <u>Obligation to make a take-over offer</u>

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

(a) any person acquires, whether by a series of transaction over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights or a company; or

(b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

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

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

2.11.2 Persons acting in concert

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

(a) the following companies:–

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

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

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

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

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

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

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

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

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

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

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

(g) partners; and

(h) the following persons and entities:–

(i) an individual;

(ii) the close relatives of (i);

(iii) the related trusts of (i);

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

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

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

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

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.

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Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30 per cent (30%) or more, or, if such Shareholder holds between 30 per cent (30%) and 50 per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution to approve the renewal of the Share Buyback Mandate. As Mr. Foo Chek Heng and his concert parties already collectively hold more than 50% of the Shares in the Company, he will not be required to make a take-over offer under the Take-over Code as a result of the Company buying back its own shares.

Under the Take-Over Code, it is deemed that Mr. Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Madam Heng Jee Moi and Mr. Foo Suay Lun, who are Mr. Foo Chek Heng's Mother and Son, respectively) are acting in concert ("Concert Party Group"). As at the Latest Practicable Date, the Concert Party Group holds an aggregate of 119,310,000 shares, representing 64.26% of the Company's shares (excluding treasury shares). Based on the shareholding of the Concert Party Group, in the event the Company undertakes Share buy backs under the renewed Share Buy Back Mandate up to the maximum number of ten per cent (10%) of the issued share capital of the Company (excluding treasury shares) as permitted by the renewed Share Buy Back Mandate, the shareholdings and voting rights of the Concert Party Group will increase from 64.26% to 71.40%.

2.12 Details of the Shares Bought by the Company in the Previous 12 Months

The following details the purchase of Shares undertaken by the Company pursuant to the Share Buyback Mandate approved by Shareholders at the AGM on 29 April 2015 up to the Latest Practicable Date.

Date of Purchase	Number of Shares purchased	Purchase Price Per Share (S$)	Total Consideration Paid for Shares purchased (including stamp duties and clearing charges) (S$)
18 January 2016	6,300,000	0.09976	630,438.20

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 2015 and are not necessarily representative of future financial performance. Although the Share Buyback Mandate would authorise the Company to buy back up to ten per cent (10%) of the Company's issued Shares (excluding treasury shares), the Company may not necessarily buyback or be able to buyback ten per cent (10%) of the issued Shares (excluding treasury shares) in full.

4.2 The Share Buyback Mandate

It is not possible for the Company to realistically calculate or quantify the impact of purchases as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held as treasury shares or cancelled.

Under the Companies Act, Share Buybacks by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Share Buybacks will only be made after considering relevant factors such as the availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhance Shareholders' value as set out in section 2.2. The financial effects of the Company and the Group, presented in this section 4.2.2, based on audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2015; are based on the assumptions set out below:

(a) based on 185,658,497 Shares in issue (excluding 6,300,000 treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued and no further are purchased or acquired pursuant to the Share Buyback Mandate, and assuming there were no exercise of 4,665,000 outstanding options ("**Options**") convertible into 4,665,000 Shares under the Koyo International Employee Share Option Scheme 2011 on or prior to the AGM;

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(b) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purposes of computing the financial effects;

(c) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 18,565,849 Shares at the Maximum Purchase Price of S$0.074 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 2016), the maximum amount of funds required for the purchase or acquisition of 18,565,849 Shares is S$1.374 million; and

(d) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 18,565,849 Shares at the Maximum Purchase Price of S$0.096 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 2016), the maximum amount of funds required for the purchase or acquisition of 18,565,849 Shares is S$1.782 million.

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

4.2.1 Market or Off-Market Purchases made entirely out of profits and cancelled, or held as treasury shares

The Company does not have enough accumulated profit as at 31 December 2015 to acquire or purchase Shares entirely out of profits and as such, it is not possible to calculate the financial effects of the Share Buyback made entirely out of profits whether by way of Market or Off-Market Purchases.

4.2.2 Market or Off-Market Purchases made entirely out of capital and cancelled, or held as treasury shares

The financial effects of the purchase or acquisition of 18,565,849 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 (disregarding the treasury share limit as set out in paragraph 2.5.1 of this Addendum) based on the audited consolidated accounts of the Group and the Company for the financial year ended 31 December 2015 as if the Share Buyback Mandate had been effective on 31 December 2015 are set out below:

Market Purchase

Scenario 1

Purchase or acquisition of 18,565,849 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 2015				
Shareholders' Funds	18,030	18,030	29,294	29,294
Treasury Shares	–	(1,374)	–	(1,374)
Total Shareholders' Funds	18,030	16,656	29,294	27,920
Net Assets	18,030	16,656	29,294	27,920
Current Assets	22,151	20,777	2,405	1,031
Current Liabilities	4,249	4,249	1,061	1,061
No. of Shares ('000)				
Ordinary Shares	185,658	167,092	185,658	167,092
Net Assets per Share (cents)	9.71	9.97	15.78	16.71
Basic EPS (cents)	0.58	0.65	0.17	0.19
Current Ratio (times)	5.21	4.89	2.27	0.97

Notes:

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

(2) Net assets exclude non-controlling interests.

(3) Net assets per Share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.

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

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

Market Purchase

Scenario 2

Purchase or acquisition of 18,565,849 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 2015				
Shareholders' Funds	18,030	16,656	29,294	27,920
Treasury Shares	–	–	–	–
Total Shareholders' Funds	18,030	16,656	29,294	27,920
Net Assets	18,030	16,656	29,294	27,920
Current Assets	22,151	20,777	2,405	1,031
Current Liabilities	4,249	4,249	1,061	1,061
No. of Shares ('000)				
Ordinary Shares	185,658	167,092	185,658	167,092
Net Assets per Share (cents)	9.71	9.97	15.78	16.71
Basic EPS (cents)	0.58	0.65	0.17	0.19
Current Ratio (times)	5.21	4.89	2.27	0.97

Notes:

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

(2) Net assets exclude non-controlling interests.

(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.

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

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

For the purpose of these illustrations, it was assumed that the Company withdraws S$1,374,000 from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buy-back Mandate, use other internal resources to finance the purchases.

Off-Market Purchase

Scenario 1

Purchase or acquisition of 18,565,849 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 2015				
Shareholders' Funds	18,030	18,030	29,294	29,294
Treasury Shares	–	(1,782)	–	(1,782)
Total Shareholders' Funds	18,030	16,248	29,294	27,512
Net Assets	18,030	16,248	29,294	27,512
Current Assets	22,151	20,370	2,405	623
Current Liabilities	4,250	4,250	1,061	1,061
No. of Shares ('000)				
Ordinary Shares	185,658	167,092	185,658	167,092
Net Assets per Share (cents)	9.71	9.72	15.78	16.47
Basic EPS (cents)	0.58	0.65	0.17	0.19
Current Ratio (times)	5.21	4.79	2.27	0.59

Notes:

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

(2) Net assets exclude non-controlling interests.

(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.

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

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

Off-Market Purchase

Scenario 2

Purchase or acquisition of 18,565,849 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 2015				
Shareholders' Funds	18,030	16,248	29,294	27,512
Treasury Shares	–	–	–	–
Total Shareholders' Funds	18,030	16,248	29,294	27,512
Net Assets	18,030	16,248	29,294	27,512
Current Assets	22,151	20,370	2,405	623
Current Liabilities	4,250	4,250	1,061	1,061
No. of Shares ('000)				
Ordinary Shares	185,658	167,092	185,658	167,092
Net Assets per Share (cents)	9.39	9.72	15.26	16.47
Basic EPS (cents)	0.58	0.65	0.17	0.19
Current Ratio (times)	5.21	4.79	2.27	0.59

Notes:

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

(2) Net assets exclude non-controlling interests.

(3) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares.

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

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

For the purpose of these illustrations, it was assumed that the Company withdraws S$1,782,000 from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buyback Mandate, use other internal resources to finance the purchase.

Shareholders should note that the financial effects set out above are for illustrative purposes only. It should be noted that the above analyses are based on historical audited financial statements for the financial year ended 31 December 2015 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 CONCERT PARTIES WHERE RELEVANT) AND/OR SUBSTANTIAL SHAREHOLDERS

Assuming (i) the Company purchases the maximum number of ten per cent (10%) of the issued Shares (excluding treasury shares) of the Company as at the Latest Practicable Date, and (ii) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders of the Company based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company maintained pursuant to Section 164 and Section 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and Substantial Shareholders before and after the purchase of Shares, were/will be as follows:

	Before the Share Buyback				After the Share Buyback	No. of Shares comprised in outstanding Options
	No. of Shares			% of total issued shares[(1)]	% of total issued shares[(2)]	
	Direct	Deemed	Total			
Director						
Lee Chen Chong	–	–	–	–	–	500,000
Foo Chek Heng	69,860,500	–	69,860,500	37.63%	41.81%	2,865,000
Mr. Foo Chek Heng and concert parties[(4)]	69,860,500	49,449,500	119,310,000	64.26%	71.40%	–
Foo Suay Wei	–	–	–	–	–	–
Yeo Guat Kwang	790,000	–	790,000	0.43%	0.47%	–
Serena Lee Chooi Li	–	1,500,000	1,500,000	0.81%	0.90%	500,000
Substantial Shareholder (excluding Directors)						
Salix Capital Pte Ltd[(3)]	49,449,500	–	49,449,500	26.63%	29.59%	–
Foo Suay Lun[(3)]	–	49,449,500	49,449,500	26.63%	29.59%	–
Heng Jee Moi[(3)]	–	49,449,500	49,449,500	26.63%	29.59%	–

Notes:

(1) The percentages in the table are calculated based on the total interests (direct and deemed) against 185,658,497 Shares (excluding 6,300,000 treasury shares) as at the Latest Practicable Date.

(2) The percentages in the table are calculated based on the total interests (direct and deemed) against 167,092,647 Shares (excluding 6,300,000 treasury shares) assuming the Company purchases the maximum number of 10% of the Shares as at the Latest Practicable Date.

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

(4) Under the Take-Over code, it is deemed that Mr. Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Madam Heng Jee Moi and Mr. Foo Suay Lun, who are Mr. Foo Chek Heng's mother and son respectively) are acting in concert. They hold an aggregate of 119,310,000 shares, representing 64.26 of the Company's Shares (excluding treasury shares).

ADDENDUM DATED 13 APRIL 2016

6. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Buyback Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Share Buyback Mandate is contained in the Notice of AGM as Ordinary Resolution 9.

7. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 as set out in the Notice of AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this 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 this 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 this Addendum in its proper form and context.

9. INSPECTION OF DOCUMENTS

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

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

Foo Chek Heng
Managing Director/Chief Executive Officer

13 April 2016

KOYO INTERNATIONAL LIMITED

(Company registration number: 200100075E)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the AGM (please see Note 2 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF/SRS Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them. CPF/SRS Investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

PROXY FORM
ANNUAL GENERAL MEETING

I/We ______________________________ (name) ________________ (NRIC/Passport/Co. Registration No.)

of ____ (address)

being a member/members of the abovenamed Company hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Hotel Royal Singapore, 36 Newton Road, Singapore 307964 on Thursday, 28th day of April 2016 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated. Please indicate with an "X" in the spaces if you wish to exercise all your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. Alternatively, please indicate the number of votes as appropriate. 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.

No.	ORDINARY RESOLUTIONS	No. of Votes For	No. of Votes Against
	ORDINARY BUSINESS		
1	To receive and to adopt the Audited Accounts for the financial year ended 31 December 2015 together with the Directors' Statement and Auditor's Report thereon.		
2	To declare a First and Final tax exempt (one-tier) Dividend of 0.15 Singapore cents per ordinary share for the financial year ended 31 December 2015.		
3	To approve the payment of Directors' fees of S$120,000 for the financial year ending 31 December 2016, payable on a quarterly basis (2015: S$120,000).		
4	To re-elect Mr. Lee Chen Chong as Director of the Company.		
5	To re-elect Ms. Serena Lee Chooi Li as Director of the Company.		
6	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.		
	SPECIAL BUSINESS		
7	To authorise Directors to issue shares and make or grant convertible instruments.		
8	To authorise directors to issue shares pursuant to the Koyo International Share Options Scheme 2011.		
9	To approve the proposed renewal of the share buyback mandate.		

Dated this __________ day of ______________ 2016

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

____

Signature(s) of member(s) or Common Seal of corporate member

IMPORTANT: PLEASE READ NOTES OVERLEAF

FOLD HERE FOR SEALING

THE COMPANY SECRETARY
KOYO INTERNATIONAL LIMITED
55 UBI AVENUE 3,
#04-01,
SINGAPORE 408864

FOLD HERE

Notes to Proxy Form:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

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 a duly certified copy thereof, must be deposited at the registered office of the Company at 55 UBI AVENUE 3, #04-01, SINGAPORE 408864 at least 48 hours before the time appointed 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. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instruments appointing a proxy or proxies. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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
Blk 206 Toa Payoh North #01-1213
Singapore 310206

REGISTERED OFFICE
55 Ubi Ave 3
#04-01
Singapore 408864
Tel : 6744 9388
Fax : 6744 0788
Email : mail@koyointernational.com
Web : www.koyotech.com
Company Registration No. 200100075E

SHARE REGISTRAR
Boardroom Corporate
& Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : 6536 5355
Fax : 6438 8710

SOLICITOR
Ramdas & Wong
36 Robinson Road
#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 first appointment : Since the
financial year ended 31 December
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 Ltd

KOYO International

55 Ubi Ave 3, # 04-01 Singapore 408864
Tel : 6744 9388 | Fax : 6744 0788
Email : mail@koyointernational.com
Web: www.koyotech.com