

APPENDIX 1 DATED 11 JUNE 2020

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

If you are in any doubt as to the contents of this Appendix 1 or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

This Appendix 1 relating to the proposed change of auditors ("**Appendix 1**") is circulated to shareholders of Koyo International Limited ("**Company**") ("**Shareholders**") together with the Company's Annual Report for the financial year ended 31 December 2019, Notice of AGM and the Proxy Form. Its purpose is to explain to Shareholders the rationale and to provide the relevant information relating to the proposed change of auditors from RT LLP to UHY Lee Seng Chan & Co ("**Proposed Change of Auditors**"), and to seek Shareholders' approval for the same at the annual general meeting ("**AGM**") of the Company to be convened and held **by way of electronic means on 26 June 2020 at 2.00 p.m.(Singapore time)**.

If you have sold or transferred all your shares in the capital of the Company ("**Shares**") held through the Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix 1 together with the Notice of AGM and the accompanying Proxy Form to the purchaser or transferee as CDP will arrange for a separate Appendix together with the Notice of AGM and the accompanying Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Appendix 1 together with the Notice of AGM and the accompanying Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer of Shares was effected, for onward transmission to the purchaser or the transferee.

This Appendix 1 has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

This Appendix 1 has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Appendix 1, including the correctness of any of the statements or opinions made or reports contained in this Appendix 1.

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



KOYO INTERNATIONAL LIMITED

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

**APPENDIX IN RELATION TO
THE PROPOSED CHANGE OF AUDITORS**

DEFINITIONS

In this Appendix 1, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

"ACRA"	The Accounting and Corporate Regulatory Authority of Singapore
"AGM"	Annual general meeting of the Company to be convened and held by way of electronic means on 26 June at 2.00p.m. (Singapore time)
"Audit Committee"	The audit committee of the Company comprising, as at the date of this Appendix 1, Mr Wong Loke Tan, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li
"Appendix 1"	This Appendix 1 to Shareholders dated 11 June 2020 in relation to the Proposed Change of Auditors
"Board"	The board of directors of the Company, as at the date of this Appendix
"Director(s)"	Director(s) of the Company as at the date of this Appendix
"Catalist Rules"	The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended or modified from time to time
"CDP"	The Central Depository (Pte) Limited
"Circuit Breaker"	Measures implemented by the Singapore government to curb the spread of Covid-19 from 07 April 2020 to 01 June 2020
"Company"	Koyo International Limited
"Constitution"	The constitution of the Company, as amended, modified or supplemented from time to time
COVID-19	A new coronavirus strain termed Coronavirus Disease 2019 which has been identified in Wuhan, China
"Group"	Koyo International Limited and together with its subsidiaries
"FY2018 AGM"	Annual general meeting of the Company for the financial year ended 31 December 2018
"FY2020"	The financial year ended 31 December 2020
"Notice of AGM"	The Notice of AGM is set out together with Appendix 1 and Proxy Form
"Proxy Form"	The Proxy Form is set out together with Appendix 1 and Notice of AGM
"RT"	RT LLP
"Share(s)"	Ordinary share(s) in the capital of the Company
"Shareholders"	The registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
"UHYLSC"	UHY Lee Seng Chan & Co
"Proposed Change of Auditors"	The proposed change of auditors of the Company from RT to UHYLSC

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KOYO INTERNATIONAL LIMITED

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

Board of Directors:

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

Registered Office:

53 Ubi Ave 3
#02-01
Singapore 408863

11 June 2020

To: The Shareholders of Koyo International Limited

Dear Sir/Madam

THE PROPOSED CHANGE OF AUDITORS

1. INTRODUCTION

The board of directors of the Company (“**Board**”) refers to:

- (a) the Company’s annual report for the financial year ended 31 December 2019 announced on 15 April 2020;
- (b) the proposed Ordinary Resolution 6 set out in the cover letter to Shareholders accompanying the annual report announced on 15 April 2020 in relation to the re-appointment of Messrs RT LLP as the Company’s Independent Auditor; and
- (c) the proposed Ordinary Resolution 6 set out in the Notice of AGM dated 11 June 2020 relating to the Proposed Change of Auditors.

The purpose of this Appendix 1 is to provide Shareholders with information relating to the Proposed Change of Auditors and to seek approval from Shareholders in respect of the same at the upcoming AGM to be held via electronic means on 26 June 2020 at 2.00 p.m. (Singapore time), notice of which has been given on 11 June 2020 via announcement on SGXNet.

2. THE PROPOSED CHANGE OF AUDITORS

2.1 Background and Rationale

The Company has engaged the services of RT LLP (“**RT**”) as auditors of the Group since 23 November 2016, for the financial year ended 31 December 2016. RT was re-appointed as auditors at the FY2018 AGM held on 29 April 2019 to hold office until the conclusion of the next annual general meeting of the Company. The Company has, to date, no concerns with RT on their discharge of their audit responsibility.

APPENDIX 1 DATED 11 JUNE 2020

After 15 April 2020 (during the Circuit Breaker period), the management has taken steps to review and streamline the operation costs including the services rendered by the professional parties in view of cost efficiency and effectiveness. After due deliberation, the management had decided to effect a change of external auditors and have sought the views of the Audit Committee.

As a matter of good corporate governance, the Audit Committee is of the view that it would be appropriate to periodically rotate audit firms to enable the Company to benefit from the fresh perspectives and the views of another professional accounting firm, thereby enhancing the value of the audit. The Board concurs with this view and believes that it is timely to consider a change of auditors of the Company for the audit of the Company's financial statements for FY2020. The Proposed Change of Auditors is also part of the Company's ongoing efforts to reduce costs and expenses in a challenging business environment.

Prior to the Board's decision to propose UHY Lee Seng Chan & Co ("**UHYLSC**") as the Company's auditors, the Audit Committee and the Board had sourced for and considered fee proposals from various audit firms and other factors, including the adequacy of an audit firm's resources, the experience of the audit firm and the audit engagement partner, the number and experience of its supervisory and professional staff, the audit firm's other audit engagements and the size and complexity of the Group's operations. The Audit Committee also took into consideration the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") in assessing the suitability of the audit firms.

After taking into consideration, *inter alia*, the above factors, the Audit Committee and the Board are of the view that UHYLSC is a cost effective and appropriate candidate for the position of the Company's auditors.

The Company expects the Proposed Change of Auditors to result in cost savings on audit fees for the Company of approximately 15%. The scope of the audit for FY2020 remains substantially unchanged from that in the financial year ended 31 December 2019, and the management is of the view that the quality of the audit will not be affected by the reduction in fees.

UHYLSC had on 10 June 2020 given its written consent to act as auditors of the Company and its Singapore-incorporated subsidiaries, subject to approval from Shareholders of the Proposed Change of Auditors being obtained at the AGM. The appointment of UHYLSC as auditors of the Company will therefore take effect upon approval of the same by Shareholders at the AGM and, if appointed, UHYLSC will hold office until the conclusion of the next annual general meeting of the Company to be held in 2021.

The Company had on 1 June 2020 informed RT the intention of the Company to change its auditors. Accordingly, RT has intimated that they have completed their current term in the office and are not seeking re-appointment as auditors of the Company at the forthcoming AGM. The Board wishes to express their appreciation for the past services rendered by RT.

In accordance with the requirements of Rule 712(3) of the Catalist Rules:

- (a) RT, has confirmed by way of a letter dated 10 June 2020 ("**Professional Clearance Letter**") that they are not aware of any professional reasons why UHYLSC should not accept the appointment as auditors of the Company and its subsidiaries;
- (b) the Company confirms that there were no disagreements with RT, on accounting treatments within the last twelve (12) months up to the date of this Appendix 1;

APPENDIX 1 DATED 11 JUNE 2020

- (c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders and which has not been disclosed in this Appendix 1;
- (d) the Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in Section 2 of this Appendix 1 dated 11 June 2020. The Company is of the view that it would be timely to effect a change of external auditors. Accordingly, RT has informed the Company that they will not be seeking re-election at the AGM; and
- (e) the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of UHYLSC as auditors of the Company.

2.2 Requirement pursuant to Rule 715 of the Catalist Rules

Subject to Shareholders' approval of the Proposed Change of Auditors, UHYLSC will become the auditors of the Company in place of RT. UHYLSC will also be appointed as auditors for the Company's Singapore-incorporated subsidiaries.

As at the date of this Appendix 1, the Company does not have any significant foreign-incorporated subsidiaries.

Accordingly, Rules 712 and 715 of the Catalist Rules are complied with.

2.3 Information on UHY Lee Seng Chan & Co and the Engagement Partner

2.3.1 About UHY Lee Seng Chan & Co

UHY Lee Seng Chan & Co ("**UHYLSC**") established in 1967, is a firm of Chartered Accountants in Singapore registered with ACRA. It is one of the top 20 audit firms in Singapore and has over 150 strong partners and professional staff who are skilled and experienced. UHYLSC has grown over the past 4 decades to become a leading CA (Chartered Accountants) firm offering diversified business advisory services in the region. To meet the client's increasing needs in advisory services in the region, UHYLSC have extended their reach beyond Singapore, Johore Bahru and Kuala Lumpur. To date, UHYLSC has about 600 Singapore clients in various industries. Out of these 600 clients, 2 of them are listed in Bursa Malaysia. UHYLSC is also currently preparing a client to be listed in NASDAQ.

As an independent member firm of Urbach Hacker Young, an international network of accounting and consulting firms, UHYLSC is well connected to over 325 major business centers in more than 90 countries worldwide to provide a range of commercially focused services and professional advices for clients with international business interests

For the audit of the Group, the audit engagement team in Singapore will comprise the following professionals: two (2) audit seniors/associates, one (1) audit manager, one (1) engagement quality control partner and one (1) audit engagement partner.

For more information about UHY Lee Seng Chan & Co, please visit its website at <http://www.uhylsc.com.sg/>.

2.3.2 Information on the audit partner

Mr Lee Sen Choon ("**Mr Lee**") will be the audit engagement partner assigned to the audit of the Company and its subsidiaries. Mr Lee has more than 30 years of professional and global experience, blending a mixture of internal and external audit, accounting controllership, taxation, reorganisation, share and business evaluations for acquisition and corporate reconstruction, due diligence reviews, initial public offering listing and risk management from a spectrum of industries, across countries.

Mr Lee is currently the Managing Partner of UHYLSC and Director of LSC Management Consultants Pte Ltd. He is a graduate of the Chartered Institute of Management Accountants, UK and holds a Post Graduate Diploma in Management Studies, UK. Mr Lee is a Chartered Accountant (Singapore) with Certificate for Practice with ISCA, a Public Accountant registered with ACRA and a Fellow Member with the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Internal Auditors (IIA). Mr Lee sits on the Boards of listed companies as Independent Director as well as Audit Committee Chairman providing financial and business advice.

Mr Lee has serviced the clients in a diverse range of industries including construction and development companies, trading and retailing, manufacturing, oil palm and fruit plantations, transport and freight forwarding, agriculture, hotels and restaurants, shipbuilding and repairing, laboratories and pests control, fishing companies, travel and tour agents, jewelry and plastic manufacturing, construction, advertising and media, estate and auctioneers. More than a quarter of Mr Lee's portfolio of over 100 clients is in construction and development property companies, where project accounting is adopted. This is very similar to the way the Group recognises its contract revenue and costs.

For the past 12 months, Mr Lee has not been subject to a Practice Monitoring Programme Review ("**PMP Review**") carried out by ACRA and, accordingly, has had no feedback from ACRA. In 2012 and 2015, ACRA had carried out PMP Reviews on Mr Lee and he had passed both reviews.

3. APPROVAL AND RESOLUTION

Shareholders' approval for the Proposed Change of Auditors will be sought at the AGM. The resolution relating to the Proposed Change of Auditors is set out in the Notice of AGM as Ordinary Resolution 6.

4. AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee has reviewed the Proposed Change of Auditors and recommended the appointment of UHYLSC to the Board for their approval of the same, after taking into account, *inter alia*, the rationale provided under paragraph 2.1, the suitability and independence of UHYLSC and ensuring compliance with Rules 712 and 715 of the Catalist Rules.

APPENDIX 1 DATED 11 JUNE 2020

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Company based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at 29 May 2020 are as follows:

	Number of Shares			
	Direct Interest	Deemed Interest	Total	%
<u>Director</u>				
Wong Loke Tan	-	-	-	-
Foo Chek Heng ⁽¹⁾	72,725,500	400,000	73,125,500	38.52
Yeo Guat Kwang	790,000	-	790,000	0.42
Serena Lee Chooi Li ⁽³⁾	-	1,500,000	1,500,000	0.79
Foo Suay Wei	-	-	-	-
Foo Suay Lun ⁽²⁾	-	49,449,500	49,449,500	26.05
<u>Substantial Shareholder (excluding Directors)</u>				
Salix Capital Pte Ltd ⁽²⁾	49,449,500	-	49,449,500	26.05
Heng Jee Moi ⁽²⁾	-	49,449,500	49,449,500	26.05

Notes:

- (1) Mr Foo Chek Heng is deemed interested in 400,000 shares held by his wife, Mdm Dalat Kositanon.
- (2) Salix Capital Pte Ltd is 100% owned by Heng Jee Moi with joint tenant with her grandson Foo Suay Lun, Executive Director, with right of survivorship.
- (3) Serena Lee Chooi Li is deemed to have an interest in 1,500,000 Shares held through nominees of securities company

None of the Directors or substantial Shareholders have any interest, whether direct or indirect (other than through their respective shareholding interests in the Company) in the Proposed Change of Auditors.

6. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale and benefit of the Proposed Change of Auditors and the Audit Committee's recommendation, is of the opinion that the appointment of UHYLSC as auditors of the Company is in the interests of the Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution 6 relating to the Proposed Change of Auditors as set out in the Notice of AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix 1 and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix 1 constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix 1 misleading. Where information in this Appendix 1 has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix 1 in its proper form and context.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

In view of the measures to minimize the risk of COVID-19, Shareholders are advised to refer to Notice of AGM for the “**Notes relating to measures to minimize the risk of COVID-19**” that is set out on Page 7 to 9 of the Notice of AGM for information on the alternative arrangements arranged by the Company to participate in the AGM. The voting by proxy is detailed in Page 8 to 9 of the Notice of AGM.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 53 Ubi Ave 3, #02-01 Singapore 408863, during normal business hours from the date of this Appendix 1 up to and including the date of the AGM scheduled to be held on 26 June 2020:

- (a) the Constitution of the Company;
- (b) the Annual Report;
- (c) the letter of consent to act as auditors of the Company from UHYLSC dated 10 June 2020; and
- (d) the Professional Clearance letter.

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

Foo Suay Wei
Executive Director
11 June 2020