KORI HOLDINGS LIMITED

FORGING AHEAD LEADING THE WAY

ANNUAL REPORT 2019

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") 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 Catalist.

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

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

CORPORATE PROFILE

Kori Holdings Limited, through its wholly-owned subsidiaries, Kori Construction (S) Pte. Ltd., Ming Shin Construction (S) Pte. Ltd. and Kori Construction (M) Sdn. Bhd., (collectively, the "Group") is principally engaged in providing civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. Its customers include local and overseas developers in the engineering construction industry. Its portfolio includes supplying and installing strutting and decking for large-scale MRT construction projects. The Group's businesses can be categorised into two main segments, namely, structural steelworks services and tunneling services.

CHAIRMAN'S STATEMENT

MR. HOOI YU KOH

EXECUTIVE CHAIRMAN AND CEO

Although it was another challenging year for the construction sector in 2019 as weaknesses in the global economy have dampened business sentiment, I am pleased to report that the Group remained profitable for the financial year ended 31 December 2019 ("FY2019"). The foundation which we have laid over the years is expected to help us to weather an imminent economic slowdown exacerbated by COVID-19.

DEAR SHAREHOLDERS

In FY2019, the Group recorded lower revenue in both the steelworks services segment and tunneling services segment. Revenue from the Steelworks Segment accounted for approximately 93% of the Group's total revenue in FY2019.

Revenue from Steelworks Segment consists of income from the provision of construction services and income from leasing of steel beams. Revenue fell by 34% from S$26.1 million in FY2018 to S$17.3 million in FY2019. The decrease in revenue contribution from both Service and Lease from the Steelworks Segment was largely due to the reduction in the work done during FY2019 as some projects reached completion in FY2018. The decrease was partially offset by revenue contributed from three projects that have commenced in FY2019, being the Circle Line 6 Marina Bay Area project C886, DTSS Phase 2 project T10 and North-South Corridor Project N110.

Revenue from the Tunnelling Segment was reduced as most of the tunnelling projects reached completion in FY2018. There was only a new project, DTSS phase 2 Tunnelling T10, which commenced in early-FY2019.

As a result of the decline in total revenue, the Group's gross profit decreased by 34.8% from S$7.5 million in FY2018 to S$4.9 million in FY2019. Gross profit margin, however, remained relatively consistent as FY2018.

BUSINESS DEVELOPMENTS/CONTRACTS SECURED

Between April and October 2019, our Group was awarded 4 contracts amounting to an aggregate of S$68.3 million. These contracts were awarded by the following companies:–

– Lum Chang Building Contractors Pte Ltd for the strutting and decking works at Contract N110 Design and Construction of North-South Corridor (Tunnel) between Ang Mo Kio Ave 3 and Ang Mo Kio Ave 9 ("N110 Project");

– Okumura Corporation Singapore Branch for supply of tunneling crew for TBM3 bored tunneling works at Contract T10 Design and Construction of Sewer Tunnels for the Deep Tunnel Sewerage System Phase 2 Project;

– Gammon Pte. Limited for strutting, waler, traffic deck and utility support at culvert 1 and culvert 2 at J309 Neste Singapore Expansion Project – Service Culvert Engineering Services and Construction Works; and

– Nishimatsu Construction Co., Ltd for supply, fabrication, installation, dismantling and buyback of strutting system and temporary access decking at Contract T10 Design and Construction of Sewer Tunnels for the Deep Tunnel Sewerage System Phase 2 Project.

The project with the largest contract value, N110 Project, is scheduled to be completed in 60 months from its commencement in the fourth quarter of 2019.

SUSTAINABILITY AND INNOVATION

I am pleased to report that Kori Holdings is the first company to be recognised by the Building and Construction Authority (BCA) for the design of reinforced concrete pre-cast road diversion deck panels for the construction industry. We received a grant from the BCA under the Productivity Innovation Project (PIP) scheme. The PIP scheme is to help defray the cost of technology adoption to improve productivity and re-engineering of work processes. Our pre-cast road diversion deck panels are relatively cheaper than the conventional method and is an innovative design which is the first for the construction industry. The re-cycling of these pre-cast deck panels in all our projects helps us to embrace sustainable practices as well.

COVID-19

As announced by the Company on 8 April 2020, the Government of Singapore had on 3 April 2020 announced the implementation of a month-long "circuit breaker" campaign to curb further spread of COVID-19 ("**Measures**"). Under the Measures, all workplaces except for those providing essential services and those able to operate remotely will be suspended from 7 Apr 2020 to 4 May 2020 in order to stem the spread of COVID-19.

In view that vendors providing essential services, their related supply chains and service providers are exempted from the suspension and that some of the Group's customers' may meet the criteria as essential services under the Construction, Facilities Management and Critical Public Infrastructure category, the Group has obtained approval from the relevant authorities for the exemption for suspension of business activities in order to continue the supply of goods and service to these customers. All other business operations of the Group in Singapore (i.e. support functions) will be closed during this period in compliance with the Measures.

In addition to the above, we expect pressure from the acute constraint of labour supply and increasing manpower costs in Singapore as well as the impact of COVID-19 on the Built Environmental Sector, in particular, inadequate supply of construction materials and manpower shortage resulted from the Movement Control Order implemented by the Malaysian Government.

It is contemplated that the foregoing will negatively impact the Group's cash flows, financial position and earnings per share for the financial year ending 31 December 2020. However, at this stage, the Group is unable to determine the extent of the impact of the Measures for the financial year ending 31 December 2020. The Board would like to assure shareholders that steps are taken to conserve the Group's cash flow and to manage the working capital during this period. The Group will also continue to monitor the guidelines issued by the regulatory authorities and to incorporate it into our Business Continuity Plan to counter the impact of COVID-19.

LOOKING AHEAD

The Building and Construction Authority projected the total construction demand to range between S$28 billion and S$33.0 billion in 2020. Public sector construction demand, which is expected to reach S$17.5 billion and S$20.5 billion in 2020, will make up about 60% of the projected demand(1). Public construction demand is expected to be spurred by major infrastructure projects and a pipeline of major industrial building projects.

I am confident that our established track record and strong technical expertise will put us in a favourable position to benefit from the anticipated public sector projects that are likely to be awarded this year, such as the North-South Corridor and new MRT works.

REWARDING OUR SHAREHOLDERS

The Directors have recommended a first and final dividend of 0.05 Singapore cents per ordinary share, which will be subject to shareholders' approval at the Annual General Meeting to be convened.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our customers, suppliers, business associates and bankers for their unwavering support. To the management and staff, thank you for your loyalty, dedication and commitment that have propelled the Group to what it is today. My appreciation also goes to my fellow directors on the board for their invaluable counsel and guidance during the past year.

Last but not least, I would like to thank our shareholders and investors for their continued support and confidence in the Group. For our Group, we are "Forging Ahead by Leading the Way in Sustainability and Innovation".

HOOI YU KOH
Executive Chairman and CEO

Source:

(1) Building and Construction Authority. (8 January 2020). Singapore's Construction Demand for 2020 expected to remain strong. Available at: https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2020/01/08/singapore's-construction-demand-for-2020-expected-to-remain-strong

FINANCIAL AND OPERATIONS REVIEW

The Group's financial statements for the year ended 31 December 2019 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") including related interpretations of SFRS(I).

The Group recorded lower revenue in both its steelworks services segment ("Steelworks Segment") and tunnelling services segment ("Tunnelling Segment"). Revenue from the Steelworks Segment accounted for approximately 93% of the Group's total revenue in FY2019.

Revenue from Steelworks Segment includes income from the provision of construction services ("Service") and income from leasing of steel beams ("Lease").

The decrease in revenue contribution from both Service and Lease from the Steelworks Segment was largely due to the reduction in the work done during FY2019, as some projects were reaching completion in FY2018. The decrease was partially offset by revenue contributed from three projects that have newly-commenced in FY2019. They are the Circle Line 6 Marina Bay Area project C886, DTSS Phase 2 project T10 and North-South Corridor Project N110.

Revenue from the Tunnelling Segment decreased as most of the tunnelling projects were near completion in FY2018. There was only a new project, DTSS phase 2 Tunnelling T10, which commenced in early FY2019.

COST OF WORKS

Cost of works for both the Steelworks Segment and Tunnelling Segment decreased. This was in line with the decrease in revenue. Circle Line 6 Marina Bay Area project C886 under the Steelworks Segment which commenced in early FY2019 incurred S$3.3 million in FY2019. It contributed 27% of the Group's total cost of works. The new DTSS Phase 2 project T10 under the Tunnelling Segment, which commenced in early FY2019, had incurred S$0.7 million in FY2019. Both projects were the main contributors to the cost of works for Steelworks Segment and Tunnelling Segment respectively.

Included in the cost of works was amortisation of preliminary costs amounting to S$0.59 million for FY2019 (FY2018: S$0.09 million). Preliminary costs mainly represent costs incurred directly to fulfil contracts for the Group. They are first recognised as an asset (included in contract assets) and subsequently amortised over the period of the relevant contracts (included in cost of works) as stipulated by SFRS(I) 15. The amortisation amount charged to cost of works mainly depends on the timing of incurrence of these preliminary costs and the period of the respective contracts secured.

GROSS PROFIT MARGIN

The Group's gross profit fell by 34.8% from S$7.5 million in FY2018 to S$4.9 million in FY2019. However, the Group's gross profit margin for FY2019 remained at relatively the same level as FY2018.

OTHER EXPENSES

Other expenses were related to loss on disposal and write-off of plant and equipment.

DEPRECIATION OF RIGHT-OF-USE ASSETS

With effect from 1 January 2019, SFRS(I) 16 has been implemented and as such, the depreciation for right-of-use assets recorded amounted to S$0.46 million in FY2019.

TRADE RECEIVABLES WRITTEN-OFF

Trade receivables written-off amounted to S$0.38 million in FY2018 and no trade receivables were written off in FY2019 due to better credit controls implemented in FY2019 and in accordance with management's assessment on the collectability of its receivables.

LOSS ALLOWANCE ON TRADE, OTHER AND RETENTION RECEIVABLES

The significant decrease in loss allowance on trade, other and retention receivables was mainly due to a higher allowance made for impairment loss (estimated at 80%) on a sum due from a main contractor as it was under judicial administration in a foreign jurisdiction in FY2018. As the judicial administration process has not been completed in FY2019, the Company has made an updated assessment on the collectability of the receivables owing from this main contractor and has made an additional 10% provision of impairment loss for the sum of S$0.13 million in FY2019. The loss allowance in FY2019 was also contributed by a full provision made for impairment loss on other debtors for the sum of S$0.17 million.

FINANCE COSTS

Finance costs comprised entirely of interest expense fell by 4.2% from S$0.28 million in FY2018 to S$0.27 million in FY2019.

PROFIT BEFORE INCOME TAX

The Group recorded a profit before tax of S$0.17 million in FY2019 which was a decrease of 48.1% as compared to S$0.32 million in FY2018. This was largely attributable to the abovementioned factors.

Income tax expense of approximately S$0.06 million was recorded in FY2019 as compared to S$0.07 million in FY2018.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP

As at 31 December 2019, the Group's current assets decreased slightly mainly due to the following:–

- The decrease in trade and other receivables, largely due to the significant decrease in the retention sum in FY2019, which is in line with the contractual terms of payment; offset by
- The increase in fixed deposit pledged by S$1.0 million in FY2019.

The Group's non-current assets were slightly increased in FY2019 as compared with FY2018. It was mainly due to the adoption of the new SFRS(I) 16 Leases on 1 January 2019, the right-of-use assets amounted to S$0.472 million had been recorded in FY2019.

The Group's current liabilities decreased mainly due to the reduction in trade and other payables which was in line with the decrease in cost of works as several projects had been substantially completed in FY2018. The decrease in other payables was largely due to a significant drop in advance from customers from the leasing of steel materials. Advance from customers represent mainly the excess of progress billings for leasing of steel materials over the amount recognised as lease revenue, which was recorded on a time-apportioned basis. With the progression and completion of the various projects, advances from customers in FY2019 have decreased.

Contract liabilities consisted mainly of S$3.1 million of advance payment from one of our main contractors in respect of steelwork construction services. The balance of the contract liabilities represented mainly the excess of progress billings over the construction revenue recognised in FY2019. Since the balance of contract liabilities as at 31 December 2018 was not significant, it was grouped under the line item of trade and other payables as at 31 December 2018.

REVIEW OF THE CASH FLOW STATEMENT OF THE GROUP

Net cash generated from operating activities amounted to S$4.3 million, largely due to operating cash flows before changes in working capital of S$3.7 million, increase in trade and other receivables and increase in contract liabilities; offset by an decrease in trade and other payables.

Net cash used in investing activities amounted to S$2.5 million, largely contributed by addition to property, plant and equipment due to additional steel materials required, with the commencement of new projects in FY2019.

Net cash used in financing activities amounted to S$2.0 million in FY2019, largely due to the repayment of bank borrowings and additional security in the form of fixed deposit of S$1.0 million was further pledged in favour of the bank although it was not utilised in the form of a bank loan.

As a result of the above, the net cash outflow for FY2019 is S$0.1 million in terms of cash and cash equivalents.

BOARD OF DIRECTORS

MR. HOOI YU KOH

EXECUTIVE CHAIRMAN AND CEO

MR. NG WAI KIT

EXECUTIVE DIRECTOR

MR. HOOI YU KOH is our Executive Chairman and CEO since May 2018. He was appointed as a Director of our Company on 18 May 2012 and was last re-elected on 26 April 2018. Mr. Hooi first joined our Group in 1996 and has served as our CEO and Managing Director from October 2005 till May 2018. He is also the Executive Director of all the Group's subsidiaries. Mr. Hooi is responsible for evaluating new business opportunities, overseeing the business management and day-to-day operations of the Group. Previously, he served as a director of Fuchiang Construction Pte. Ltd.

Mr. Hooi has more than 20 years of experience in the civil/engineering construction industry. He was first employed with Mudajaya Construction Sdn. Bhd. as a design and planning engineer and a section head in 1995 and was responsible for the construction of Kapar Power Station Phase II in Malaysia till May 1996. Since June 1996, Mr. Hooi has been instrumental in the development and growth of our Group's business. In June 1996, he joined Kori Malaysia as a project manager and was in charge of managing all our projects in Malaysia till November 1999. From November 1999 to October 2005, he was in charge of managing all our projects in Singapore as a project manager of Kori Construction (S) Pte. Ltd. ("Kori Singapore"). He was subsequently promoted to Executive Director and CEO of Kori Singapore in 2005 and 2012 respectively.

Mr. Hooi has been a certified welding inspector certified by the American Welding Society since January 2005. Mr. Hooi graduated from University of Malaya with a Bachelor Degree in Engineering (Civil) (First Class Honours) in 1995 and was awarded the Mudajaya Scholarship Award and the Chan Sai Soo Award in September 1994 and August 1995 respectively.

MR. NG WAI KIT was appointed as our Company's Executive Director on 2 March 2018 and was last re-elected on 26 April 2018. Mr. Ng joined our Group in November 2005 as an engineering manager and was in charge of construction, design and technical matters of all projects in Singapore till May 2009 when he was promoted to Technical Controller of our Group. He is responsible for assisting in the business operations of the Group. Previously, he served as a director of Kori Singapore and Ming Shin Construction (S) Pte Ltd.

Mr. Ng has more than 20 years of experience in the civil/engineering construction industry. He was first employed with a Malaysia company, Arup Jururunding Sdn. Bhd. as a design engineer and was responsible for designing and supervising various civil engineering/construction projects in Malaysia and Hong Kong from August 1995 to September 1998. In September 1998, he joined SKM (Singapore) Pte. Ltd. as a civil engineer and was responsible for designing and supervising various civil engineering projects in Singapore and Malaysia till June 2000 when he was re-designated as a senior civil/geotechnical engineer of the same company in charge of designing, coordinating and supervising of both temporary and permanent works till December 2002. In December 2002, he was promoted to project manager and was responsible for the management of full structural construction works of the same company till November 2005.

Mr. Ng graduated from University of Malaya with a Bachelor degree in Engineering (Civil) (First Class Honours) in 1995 and National University of Singapore with a Master degree in Science (Civil Engineering).

MR. KUAN CHENG TUCK

LEAD INDEPENDENT DIRECTOR

MR. NICHOLAS PHILIP LAZARUS

INDEPENDENT DIRECTOR

MR. KUAN CHENG TUCK is our Lead Independent Director and was appointed as a Director on 16 November 2012 and was last re-elected on 30 April 2019. He also currently serves as an independent director of CNMC Goldmine Holdings Limited (a company listed on Catalist of the SGX-ST). Previously, Mr Kuan served as an independent director of Green Build Technology Limited (a company listed on the Main Board of SGX-ST) and CW Group Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange).

Mr. Kuan has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr. Kuan has worked with various international accounting firms in Singapore and Malaysia between 1994 and early 2004. He has since been managing his own business and financial consulting firms.

Mr. Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was also admitted to the Singapore Bar.

MR. NICHOLAS PHILIP LAZARUS is our Independent Director and was appointed on 16 November 2012 and was last re-elected on 26 April 2018. He has more than 20 years of experience in the legal industry and specialises in civil litigation, corporate finance and construction adjudication. He first started his legal career as a legal assistant at W.T. Woon & Company in July 1998. In November 1999, he joined Chan Tan & Partners as a senior legal associate till August 2001. In September 2001, he returned to W.T. Woon & Company as a partner till September 2002. Thereafter, he joined Justicius Law Corporation as a director.

Mr. Lazarus graduated from the National University of Singapore with a Bachelor Degree in Law (LLB) in 1997. He also obtained the Association of Chartered Certified Accountants qualification from the Association of Chartered Certified Accountants in 1998.

At present, Mr. Lazarus is also, among others, a Commissioner of Oaths and Notary Public recognised by the Singapore Academy of Law, a Construction Adjudicator in Singapore and Malaysia, an Arbitrator under the Singapore Institute of Arbitrators and Law Society of Singapore, an Associate Mediator recognised by the Singapore Mediation Centre and an Accredited Tax Advisor recognised by the Singapore Institute of Accredited Tax Professionals.

BOARD OF DIRECTORS

MR. LIM YEOK HUA

INDEPENDENT DIRECTOR

MR. LIM YEOK HUA is our Independent Director and was appointed on 16 November 2012. He was last re-elected on 30 April 2019. Mr. Lim is also presently an independent director of JLogo Holdings Limited. Previously Mr. Lim served as an independent director of Tritech Group Limited and Alpha Energy Holdings Limited.

Mr. Lim has been a fellow member of the Association of the Chartered Certified Accountants since 1985. He has more than 30 years of experience in the fields of accounting, auditing, as well as business and financial advisory. Mr. Lim presently runs his own management consultancy firm, namely Radiant Management Services Pte Ltd. He is a member of the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants as well as an accredited tax advisor with the Singapore Institute of Accredited Tax Professionals.

EXECUTIVE OFFICERS

MR. LEE YENG TAT

HEAD OF THE STEEL DIVISION

MR. LEE YENG TAT is the Head of the Steel Division of our Group and has been responsible for the management of all our Group's steel strutting, piling and decking projects since January 2012.

Mr. Lee was first employed with Retired Servicemen Engineering Agency, Taiwan as a civil engineer and was in charge of the underground and tunnelling projects in Taiwan from July 1989 to July 1997. In October 1997, he joined Fujita Corporation (M) Sdn. Bhd. in Malaysia as a project manager in charge of underground and tunnelling projects in Malaysia till April 2002. In July 2002, he joined Kori Singapore as a project manager and was responsible for the management of all the projects in Singapore till December 2011. In January 2012, he was promoted to the Head of Steel Division in charge of all the steel strutting, piling and decking projects of our Group.

Mr. Lee graduated from National Taiwan University in 1989 with a Bachelor degree in Science of Engineering (Civil).

Mr. Lee has also successfully completed the required course of study and passed the examination required for the certification and registration as a structural steel supervisor and has obtained the Certification of Structural Steel Supervisor issued by the Singapore Structural Steel Society in August 2008.

MR. CHOOKUL CHARUN

HEAD OF THE TUNNEL DIVISION

MR. CHOOKUL CHARUN is the Head of the Tunnel Division of our Group and has been responsible for the management of all our Group's tunnelling projects since January 2012.

Mr. Chookul was first employed with Nishimatsu Construction Co., Ltd. as a tunnel engineer and was responsible for the control, coordination and operation of tunnelling projects in Thailand from May 2001 to October 2003. In October 2003, he joined Boygues Thai Ltd. as a civil engineer and was responsible for coordinating and supervising infrastructure works in Thailand till December 2004. In August 2005, he joined Kori Singapore as a tunnel engineer and was responsible for the tunnelling operations of the Singapore MRT Circle Line project till December 2007 when he was promoted to a senior tunnel engineer in charge of the tunnelling operations of the Singapore MRT Downtown Line project and the Dubai Metro Red Line projects till late 2010. In December 2010, he was promoted to tunnel manager and was responsible for the Singapore MRT Downtown Line project till January 2012 when he was once again promoted to the Head of Tunnel Division in charge of all tunnelling projects of our Group.

Mr. Chookul graduated from King Mongkut's University of Technology Thonburi in Thailand in 2001 with a Bachelor degree in Engineering (Civil).

EXECUTIVE OFFICERS

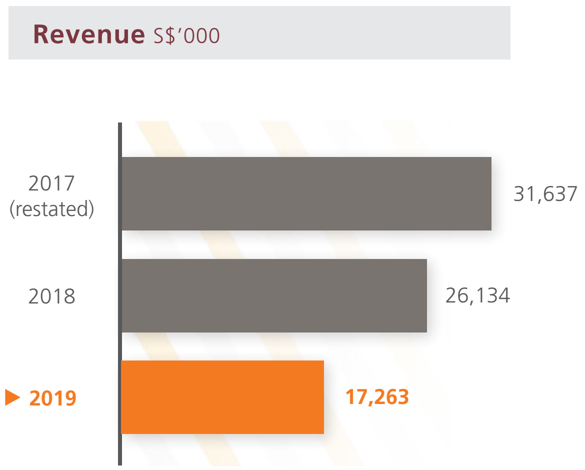
MS. XU HONG

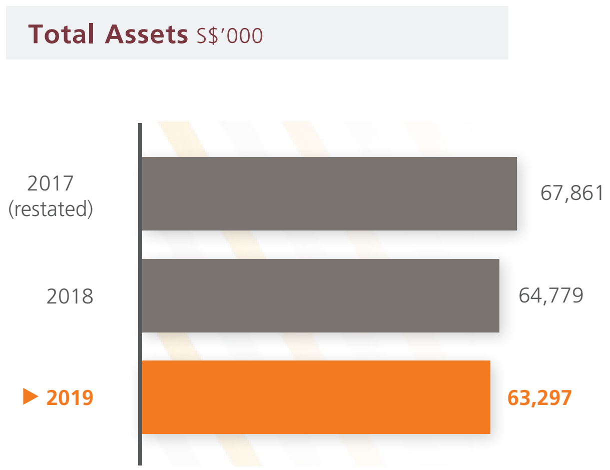
FINANCIAL CONTROLLER

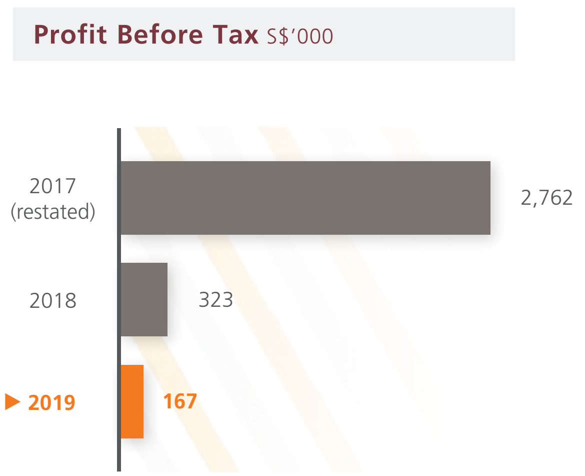
MS. XU HONG has joined the Group on 1 April 2019 and was appointed as Financial Controller on 5 September 2019. Ms. Xu has a number of years working experience in construction and property developing industry. She is responsible for overseeing the accounting, treasury, budgeting and payroll matters of the Group.

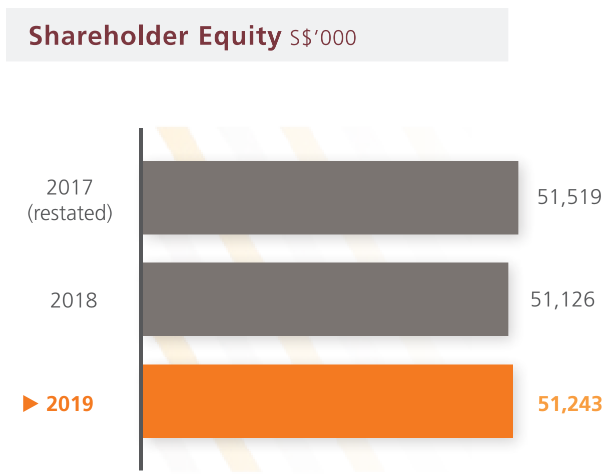
Prior to Kori Group, she worked with MCC Land (Singapore) Limited for more than 6 years. And she had worked as an auditor in Singapore local audit firms for 5 years after she achieved the certificate of ACCA in 2000. She is also a Chartered Accountant of Institute of Singapore Chartered Accountants since 2012.

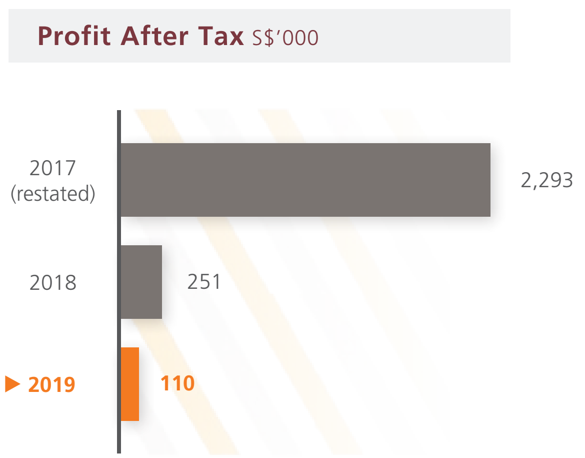
FINANCIAL HIGHLIGHTS











GROUP STRUCTURE

GROUP **INFORMATION**

BOARD OF DIRECTORS
MR. HOOI YU KOH (Executive Chairman and CEO)
MR. NG WAI KIT (Executive Director)
MR. KUAN CHENG TUCK (Lead Independent Director)
MR. NICHOLAS PHILIP LAZARUS (Independent Director)
MR. LIM YEOK HUA (Independent Director)

AUDIT COMMITTEE
MR. KUAN CHENG TUCK (Chairman)
MR. NICHOLAS PHILIP LAZARUS
MR. LIM YEOK HUA

REMUNERATION COMMITTEE
MR. NICHOLAS PHILIP LAZARUS (Chairman)
MR. KUAN CHENG TUCK
MR. LIM YEOK HUA

NOMINATING COMMITTEE
MR. LIM YEOK HUA (Chairman)
MR. KUAN CHENG TUCK
MR. NICHOLAS PHILIP LAZARUS

COMPANY SECRETARY
MR. SHAWN CHAN CHANGYUN

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INDEPENDENT AUDITOR
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Public Accountants and Chartered Accountants
600 North Bridge Road | #23-01 Parkview Square |
Singapore 188778

Partner-in-charge:
MR. LEONG HON MUN PETER
(Appointed since the financial year ended 31 December 2018)

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(A Division of Tricor Singapore Pte. Ltd.)
80 Robinson Road | #02-00 | Singapore 068898

PRINCIPAL BANKERS
SINGAPORE
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
21 Collyer Quay #08-01
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Tower 3 | Singapore 018982

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HSBC BANK MALAYSIA BERHAD
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FINANCIAL CONTENTS

CORPORATE **GOVERNANCE REPORT**

DISCLOSURE TABLE FOR COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE AND CATALIST RULES

The Board of Directors ("**Board**") of Kori Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and place importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices in place during the financial year ended 31 December 2019 ("**FY2019**"), with specific reference made to the Code of Corporate Governance 2018 (the "**Code**"), its related practice guidance ("**PG**"), guidelines from Code of Corporate Governance 2012 ("**Code 2012**") which are still in effect as well as the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code	The Company has complied with the principles and guidelines as set out in the Code, Code 2012 and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code, Code 2012 (where applicable) and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2019.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
BOARD MATTERS		
THE BOARD'S CONDUCT OF AFFAIRS		
1.1	Board composition	As at date of this report, the Board has five (5) members and comprises the following:

Composition of the Board				
		Composition of the Board Committees • *C – Chairman* • *M – Member* • *N – Not applicable*		
Name of Director	**Designation**	**AC**(1)	**NC**(2)	**RC**(3)
Mr. Hooi Yu Koh	Executive Chairman and CEO	N	N	N
Mr. Ng Wai Kit	Executive Director	N	N	N
Mr. Kuan Cheng Tuck	Lead Independent Director	C	M	M
Mr. Nicholas Philip Lazarus	Independent Director	M	M	C
Mr. Lim Yeok Hua	Independent Director	M	C	M

Notes:

(1) The AC comprises 3 members and all of the members including the Chairman, are independent. All the members of the AC are non-executive Directors.

(2) The NC comprises 3 members and all of the members including the Chairman, are independent. The Lead Independent Director is a member of the NC.

(3) The RC comprises 3 members and all of the members including the Chairman, are independent. All the members of the RC are non-executive Directors.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
	Role of Board	Entrusted to lead and oversee the Group, the Board is to act in the best interests of the Group. In addition to its statutory duties, the Board's principle functions are to: • Set out overall long-term strategic plans and objectives for the Group and ensure that the necessary resources are in place for the Group to meet its objectives; • Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets; • Review key management personnel's performance; • Ensure good corporate governance practices to protect the interests of shareholders; • Appoint Directors and key management personnel; • Oversee, through the NC, the appointments, re-election and resignation of Directors and the Management; and • Oversee, through the RC, the design and operation of an appropriate remuneration framework.
	Practices relating to conflict of interest	The Company has in place practices to address potential conflicts of interests. All Directors are required to notify the Company promptly of all conflicts of interest as soon as practicable as well as when required and refresh the required declarations annually. Directors are required to recuse themselves from all deliberations/voting in relation to the matters which he or she has a conflict of interest in, unless the Board is of the opinion that the participation of the conflicted Director is of the best interest to the Company.

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<table>
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<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>1.2</td><td>Directors’ training and orientation

(a) Are new Directors given formal training? If not, please explain why.</td><td>All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group’s strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group’s business, the Director will also be given the opportunity to visit the Group’s operational facilities, principle locations of operations and meet with key management personnel.

In addition, as required under the SGX-ST Listing Manual: Section B: Rules of Catalist (“Catalist Rules”), a new Director who has no prior experience as a director of a company listed on the SGX-ST must undergo training as prescribed by the SGX-ST. Such training will be completed within one year of the appointment</td></tr>
<tr><td></td><td>(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?

Training attended for FY2019</td><td>The Board values on-going professional development and recognises that it is important that all Directors receive regular training to serve effectively on and contribute to the Board. The Board has therefore established a policy on continuous professional development for Directors.

To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development. Professional development may relate to a particular subject area, committee membership, or key developments in the Company’s environment, provided by accredited training providers. Directors are encouraged to consult the Chairman and Chief Executive Officer (“CEO”) if they consider that they personally, or the Board as a whole, would benefit from specific education or training on matters that fall within the responsibility of the Board or relate to the Company’s business. Such training costs are borne by the Company. The Company would also arrange for the senior management to brief the Directors on the Group’s business periodically.

Courses, conferences and seminars attended by a Director includes:

<table><tr><th colspan="3">Table 1.2 – Training(s) attended by Directors in FY2019</th></tr><tr><th>Course Name</th><th>Course Organiser</th><th>Attendees</th></tr><tr><td>China Tax Seminar</td><td>Wolters Kluwer</td><td>Kuan Cheng Tuck</td></tr></table></td></tr>
</table>

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<table>
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<tr><td>1.3</td><td>Matters requiring Board’s approval</td><td>Material matters, that require the Board’s approval include:

• corporate strategies and business plans;
• material acquisitions and disposals;
• investments exceeding S$2,000,000;
• major financing requiring corporate guarantee;
• major contracts with third parties exceeding S$50,000,000;
• share issuance, dividend release or changes in capital;
• budgets, financial results announcements, annual reports and audited financial statements; and
• interested person transactions exceeding S$100,000.</td></tr>
<tr><td>1.4</td><td>Delegation to Board Committees</td><td>The Board delegated certain responsibilities to the Audit Committee (the “AC”), the Remuneration Committee (the “RC”) and the Nominating Committee (the “NC”) (collectively, the “Board Committees”). The composition of the Board Committees is set out in Section 1.5 of Table I.</td></tr>
<tr><td>1.5</td><td>Attendance of Board and Board Committees</td><td>The Board meets on a half-yearly basis, and as and when circumstances require. In FY2019, the number of Board and Board Committee meetings held, and the attendance of each Board member are shown below.

<table>
<tr><th></th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Mr. Hooi Yu Koh</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Mr. Ng Wai Kit</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Mr. Kuan Cheng Tuck</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Mr. Nicholas Philip Lazarus</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Mr. Lim Yeok Hua</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
</table>

NA – Not Applicable

The Company’s Constitution allows for meetings to be held through telephone and/or videoconference.</td></tr>
</table>

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<tr><td>1.6</td><td><u>Access to information</u>

What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>Directors are provided with complete and adequate information related to agenda items in a timely manner for them to make informed decisions and discharge their duties and responsibilities.

Management provides the Board with key information that is complete, adequate and timely prior to meetings and whenever required. The information provided Directors for FY2019 is set out in the table below.

<table>
<tr><th colspan="3">Table 1.6 – Types of information provided by Management</th></tr>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Semi-annually</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Semi-annually</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and external auditors' ("EA") report(s)</td><td>Semi-annually</td></tr>
<tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>When applicable</td></tr>
<tr><td>5.</td><td>Internal auditors' ("IA") report(s)</td><td>Annually</td></tr>
<tr><td>6.</td><td>Research report(s)</td><td>When applicable</td></tr>
<tr><td>7.</td><td>Shareholding statistics</td><td>Annually</td></tr>
</table>

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information at least one week prior to the meetings to allow sufficient time for review by the Directors.

Management will also on best endeavour, encrypt documents which bear material price sensitive information when circulating documents electronically. Management will also provide any additional material information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</td></tr>
</table>

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1.7	*Change of company secretary* *Access to Management and company secretary* *Access to professional advice*	The appointment and removal of the company secretary is a matter for the Board as a whole. Directors have separate and independent access to the Management and company secretary at all times. Individually or collectively, in order to execute their duties, Directors can obtain independent professional advice at the Company's expense where required.
BOARD COMPOSITION AND GUIDANCE		
2.1 2.2 2.3 3.3	*Board composition* Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. *Lead Independent Director*	The Company complies to the Code as while the Chairman is not independent, Non-executive Directors and Independent Directors make up a majority of the Board. Mr. Kuan Cheng Tuck has also been appointed as the Lead Independent Director of the Company and makes himself available to shareholders if they have concerns relating to matters that contact through the Chairman and CEO and/or the Financial Controller ("**FC**") has failed to resolve, or where such contact is inappropriate. The Lead Independent Director makes himself available to shareholders at the Company's general meetings and could be contacted at ac@kori.com.sg. The Lead Independent Director is also responsible for leading the meetings of independent directors and providing feedback to the Chairman on matters discussed at such meetings. He assists in the development of succession plans for the Chairman and CEO as well as the assessment of the Chairman's remuneration.

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2.1 4.4 Code 2012 – Guideline 2.4	*Independence assessment of Directors*	The Board considers the existence of relationships or circumstances, including those identified by the Code and Catalist Rules, that are relevant to determine whether a Director is independent. In addition, the NC reviews the individual director's declaration in their assessment of independence. The NC has reviewed and confirmed that the independence of the Independent Directors is in accordance with the Code, PG and Catalist Rules. The Independent Directors have also confirmed their independence in accordance with the Code, PG and Catalist Rules.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code and Catalist Rules that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship that would otherwise deem him not to be independent.
	Independent Directors serving beyond nine years Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Independent Directors who has served beyond nine years since the date of his first appointment.

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<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>Board diversity

(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>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 is mindful that diversity is not specific to gender or certain personal attributes and would strive to ensure the diversity would enhance the long-term success of the Group. The objective of the policy is to avoid groupthink and foster constructive debate and ensure that composition is optimal to support the Group's needs in the short and long term.

While the NC is aware of the merits of gender diversity to the Board composition, the NC notes that it is only one of the many aspects of diversity.

While due consideration would be given to female representation on the Board, the NC will continue to make its selection of candidates based on objective criteria which it believes is in the best interest of the Company.</td></tr>
<tr><td></td><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.4 – Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>3</td><td>60%</td></tr>
<tr><td>– Business management</td><td>3</td><td>60%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>40%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>2</td><td>40%</td></tr>
<tr><td>– Strategic planning experience</td><td>2</td><td>40%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>40%</td></tr>
</table></td></tr>
</table>

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	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board took 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.
2.5	*Meeting in the absence of the Management*	The Non-Executive Directors Independent Directors, led by the Lead Independent Director, meet regularly in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. For FY2019, the Non-Executive Directors and Independent Directors met once in the absence of key management personnel.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER		
3.1 3.2	*Role of Chairman and CEO*	Mr Hooi Yu Koh is the Executive Chairman and CEO of the Company. Mr Hooi as the Chairman leads the Board discussions, fostering constructive conditions that renders the Board effective. He facilitates effective contribution and promotes high standards of corporate governance. The Chairman performs a significant leadership role by providing clear oversight and guidance to the management on strategy and the drive to transform the Group's businesses. As the CEO of the Company, Mr Hooi takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He proposes strategic proposals to the Board and implements decisions made by the Board.

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	Relationship between Chairman and CEO	As aforementioned, Mr Hooi assumes both the roles of the Chairman and CEO. The Company believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that there is no need to separate the two roles after taking into consideration: • Size and capabilities of the Board; • Size and operations of the Group; and • Safeguards currently in place (such as the requirement for the Board's approval for material transactions which exceed certain thresholds/the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence) to ensure that decision-making by the Board is collective.
BOARD MEMBERSHIP		
4	*Steps taken to progressively renew the Board composition*	The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required. To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on a regular basis to ensure that the Board dynamics remain optimal.

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4.1	*Role of NC*	The NC is guided by key terms of reference as follows: (a) Reviewing and recommending candidates for appointment to the Board and Board Committees (excluding the appointment of existing members of the Board to a Board Committee); (b) Reviewing and approving any new employment of related persons and proposed terms of their employment; (c) Reviewing and recommending candidates to be nominees on the Board and Board Committees of the Group; (d) Re-nominating the Company's Directors for re-election in accordance with the Company's Constitution at each annual general meeting and having regard to the Director's contribution and performance (including alternate directors, if applicable). All Directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least every three years; (e) Determining on an annual basis whether or not a Director of the Company is independent; (f) Deciding whether or not a Director of the Company is able to and has been adequately carrying out his duties and responsibilities as a director, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the Director's number of listed company board representations and other principal commitments; and (g) Deciding how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value. In addition to the relevant performance criteria which the Board may propose, other performance criteria that may be used include the Company's share price performance over a five-year period vis-à-vis the FTSE Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed; (h) Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and CEO;

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		(i) Recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and in particular, the appointment and/or replacement of the Chairman, the CEO; (j) The review and overseeing of the training and professional development programmes for the Board, its directors, key executives and talented executives within the Group; and (k) Reviewing and assessing from time to time whether any Director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a controlling shareholder and/or its associates. For the review of succession plans and Board's composition for FY2019, the NC also took into consideration the amendments to the Catalist Rules in relation to the continued appointment of an independent director who has served for an aggregate period of more than nine years, bearing in mind that they will come into effect from 1 January 2022.

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<tr>
<td>4.3</td>
<td>Selecting, Appointment and Re-appointment of Directors

Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td>
<td>
<table>
<tr><th colspan="3">Table 4.3(a) – Selection and Appointment of New Directors</th></tr>
<tr><td colspan="3">The NC:–</td></tr>
<tr><td>1.</td><td>Determines selection criteria</td><td>• In consultation with the Board, identifies the current needs and inadequacies the Board requires to complement and strengthen the Board.
• Determines the role which competencies required for the new appointment after such consultation.</td></tr>
<tr><td>2.</td><td>Commences candidate search</td><td>• Considers candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assesses shortlisted candidates</td><td>• Meets and interviews the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Proposes recommendations</td><td>• Makes recommendations for Board's consideration and approval.</td></tr>
</table>

<table>
<tr><th colspan="3">Table 4.3(b) – Re-election of Incumbent Directors</th></tr>
<tr><td colspan="3">The NC:–</td></tr>
<tr><td>1.</td><td>Assesses incumbent director</td><td>• Assesses the performance of the director in accordance with the performance criteria set by the Board.
• Considers the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Proposes re-appointment of director</td><td>• Recommends the re-appointment of the Director to the Board for its consideration and approval, subject to its satisfactory assessment.</td></tr>
</table>
</td>
</tr>
</table>

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		After reviewing and considering the NC's recommendations, the Board would make the decision to appoint the new director and/or propose the re-election of the incumbent director for shareholders' approval. Pursuant to Regulation 93 of the Company's Constitution, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each annual general meeting of the Company. The Company's Constitution and the Catalist Rules, provides that all Directors shall retire by rotation at least once every three years and such retiring Director shall be eligible for re-election. The NC, with the respective member interested in the discussion having abstained from the deliberations, recommended Mr. Hooi Yu Koh and Mr. Ng Wai Kit be nominated for re-election at the forthcoming Annual General Meeting ("**AGM**"). Mr. Hooi Yu Koh, upon re-election as a Director of the Company, remain as the Executive Chairman and CEO and Mr. Ng Wai Kit, will, upon re-election as a Director of the Company, remain as an Executive Director, of the Company.
4.5	*Assessment of Directors' duties*	Assessment of the individual Directors' performance was based on the criteria set out in Section 5.1 of Table I. The following were used to assess the performance and consider competing time commitments of the Directors:– • Declarations by each Director of their other listed company directorships and principal commitments; • Annual confirmations by each Director on his ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments; and

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<tr><td></td><td><u>Other listed company directorships and principal commitments of Directors</u></td><td>The NC had reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and principal commitments of each of the Directors (if any) as set out below, and is satisfied that all Directors were able to diligently discharge their duties for FY2019.

<table>
<tr><th colspan="3">Table 4.5 – Other listed company directorships and principal commitments of Directors</th></tr>
<tr><th>Name of Director</th><th>Listed Company Directorships</th><th>Principal Commitments</th></tr>
<tr><td>Mr. Hooi Yu Koh</td><td>Nil</td><td>• Kori Construction (S) Pte. Ltd.</td></tr>
<tr><td>Mr. Ng Wai Kit</td><td>Nil</td><td>• Kori Construction (S) Pte. Ltd.</td></tr>
<tr><td>Mr. Kuan Cheng Tuck</td><td>• CNMC Goldmine Holdings Limited</td><td>• KCT Consulting Pte. Ltd.</td></tr>
<tr><td>Mr. Nicholas Philip Lazarus</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Mr. Lim Yeok Hua</td><td>• JLogo Holdings Limited</td><td>• Radiant Management Services Pte Ltd</td></tr>
</table>
</td></tr>
<tr><td></td><td><u>Multiple Directorships</u>

(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</td><td>The Board has set the maximum number of listed company board representations as 6.

Having assessed the capacity of the Directors based on factors disclosed in Section 4.5(c) of Table I, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge on board matters, hence ultimately benefitting the Company.</td></tr>
<tr><td></td><td>(b) If a maximum has not been determined, what are the reasons?</td><td>Not Applicable.</td></tr>
<tr><td></td><td>(c) What are the specific considerations in deciding on the capacity of directors?</td><td>The specific considerations in assessing the capacity of Directors include:

• Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
• Geographical location of Directors;
• Size and composition of the Board;
• Nature and scope of the Group's operations and size; and
• Capacity, complexity and expectations of the other listed directorships and principle commitments held.</td></tr>
</table>

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<table>
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<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>PG 4</td><td>Alternate Directors</td><td>Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

The Company currently does not have any alternate directors.</td></tr>
<tr><th colspan="3">BOARD PERFORMANCE</th></tr>
<tr><td>5.1</td><td>Performance Criteria</td><td>Table 5 sets out the performance criteria, recommended by the NC and approved by the Board, to evaluate the effectiveness of the Board as a whole and assess the contribution by each Director.

<table>
<tr><th colspan="3">Table 5 – Performance Criteria</th></tr>
<tr><th></th><th>Board</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence
Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Performance of the Company's share price over a 5-year period vis-à-vis the FTSE Straits Time Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
</td></tr>
</table>

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		The NC would review the criteria periodically to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval. The NC did not propose any changes to the performance criteria for FY2019 as compared to the previous financial year as [the economic climate, Board composition and the Group's principal business activities remained the same.
5.2	*Performance Review* (a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The reviews of the performance of the Board, Board Committees and individual Directors are conducted by the NC annually and when the individual Director is due for re-election. For FY2019, the review process was as follows: 1. All Directors individually completed board evaluation questionnaires on the effectiveness of the Board, Board Committees and the individual Directors based on criteria disclosed in Table 5 of Principle 5.1; 2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; 3. The NC discussed the report, and in particular matters relating to Board composition, Board processes, risk management, succession planning and director development; and 4. The results of the performance review were deliberated during the NC meeting and tabled at the Board meeting for further discussion. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance or re-appointment as a Director of the Company. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives for FY2019.

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REMUNERATION MATTERS		
DEVELOPING REMUNERATION POLICIES		
6.1 6.3	*Role of the RC*	The RC is guided by key terms of reference which includes: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Consider and approve termination payments, retirement payments, gratuities, ex-gratia payment, severance payments and other similar payments to each member of key management personnel; (c) Review and recommend to the Board the service contracts of Executive Chairman and CEO and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; and (d) Review the remuneration of employees who are related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities. The RC's review and recommendations cover all aspects including fees, salaries, allowance, bonuses, options, share-based incentives, awards and benefits-in-kind. Each RC member will abstain from participating in the deliberations of and voting on any resolution in respect of his remuneration package or that of employees related to him.
6.4	*Engagement of Remuneration Consultants*	No remuneration consultants were engaged by the Company in FY2019. The Company is of the view that the annual review by the RC, which includes the referencing of Directors and key management personnel's remuneration against comparable benchmarks and giving due regard to prevailing market conditions as well as the financial, commercial health and business needs of the Group, is currently sufficient to ensure the continued relevance of such remuneration packages to the Group's strategic business objectives and alignment with market practices.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
6.2	*"Claw-back" Provisions*	There are no contractual provisions which allows the Company to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.
LEVEL AND MIX OF REMUNERATION		
DISCLOSURE ON REMUNERATION		
7.1 7.2 7.3 8.1	*Remuneration Policy*	The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff that total compensation has been linked to the achievement of organisational and individual performance objectives and benchmarked against relevant and comparative compensation in the market.
	Remuneration Structure for Executive Directors and key management personnel (a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2019. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives, for each individual role. The remuneration structure is linked by incorporating key performance indicators, selected conditions in the share plans and performance conditions set out in Table 7.1 in this section. The senior management proposes the compensation for the Executive Directors and key management personnel for the RC's review, which would thereafter recommend for the Board's approval.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2"></td><td>Performance Criteria

(b) What were the performance conditions used to determine their entitlement under the short term and long-term incentive schemes?</td><td>The following performance conditions for determining incentive plans were chosen to motivate Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><th colspan="3">Table 7.1 – Performance Criteria</th></tr>
<tr><th></th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Share Plan and ESOS)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices
6. Macro-economic factors</td><td>1. Leadership
2. Commitment
3. Current market and industry practices</td></tr>
<tr><td>Quantitative</td><td>1. Relative financial performance of the Group's (e.g. in terms of ROE) to its industry peers
2. Positive sales growth
3. Productivity enhancement</td><td>1. Relative financial performance of the Group (e.g. in terms of ROE) to its industry peers over a 5-year period</td></tr>
</table></td></tr>
<tr><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2019.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>7.2</td><td><u>Remuneration Structure of Non-Executive Directors</u></td><td>Non-Executive Directors will each receive their directors’ fees in cash and they are subjected to shareholders’ approval at a general meeting. The fees for the financial year in review are determined in the previous financial year, proposed by the Management, submitted to the RC for review and thereafter recommended to the Board for approval.

The RC has reviewed and assessed that the remuneration of the Non-Executive Directors for FY2019 is appropriate, considering the effort, time spent and responsibilities.</td></tr>
<tr><td>8.1(a)
8.1(b)</td><td>(a) Has the Company disclosed each Director’s and the CEO’s remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors and the CEO for FY2019 is as follows:

<table>
<tr><th colspan="7">Table 8.1(a) – Directors’ and CEO’s Remuneration</th></tr>
<tr><th>Name</th><th>Remuneration (S$)</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors Fees (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr>
<tr><td>Mr. Hooi Yu Koh</td><td>419,962</td><td>86</td><td>5</td><td>NA</td><td>9</td><td>100</td></tr>
<tr><td>Mr. Ng Wai Kit</td><td>190,000</td><td>95</td><td>5</td><td>NA</td><td>–</td><td>100</td></tr>
<tr><td>Mr. Kuan Cheng Tuck</td><td>48,000</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
<tr><td>Mr. Nicholas Philip Lazarus</td><td>43,000</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
<tr><td>Mr. Lim Yeok Hua</td><td>40,000</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
</table>

NA – Not applicable

There were no termination, retirement, post-employment benefits that may be granted to the Directors, the CEO and top 4 key management personnel in FY2019.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Provision</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(b) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>Given the size and nature of the Company's business, the Company has only identified 4 top key management personnel in FY2019.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2019 is as follows:

<table>
<tr><th colspan="5">Table 8.1(b) – Remuneration of Key Management Personnel</th></tr>
<tr><th>Name</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr>
<tr><td colspan="5">Below S$250,000</td></tr>
<tr><td>Chee Shew Yan*</td><td>91</td><td>9</td><td>–</td><td>100</td></tr>
<tr><td>Xu Hong*</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Lee Yeng Tat</td><td>84</td><td>3</td><td>13</td><td>100</td></tr>
<tr><td>Chookul Charun</td><td>88</td><td>4</td><td>8</td><td>100</td></tr>
</table>

* Ms Chee Shew Yan has ceased to be the Financial Controller of the Company and she was replaced by Ms Xu Hong as the Financial Controller of the Company with effect from 5 September 2019.</td></tr>
<tr><td></td><td>(c) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid to the top 4 key management personnel for FY2019 was S$402,945.17.</td></tr>
<tr><td>8.2</td><td>Related Employees

Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$100,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was a substantial shareholder, immediate family member of a substantial shareholder, Director or the CEO whose remuneration exceeded S$100,000 in FY2019.</td></tr>
<tr><td>8.3</td><td>Employee Share Schemes</td><td>Information on the Company's performance share plan ("Share Plan") and employee share option scheme ("ESOS") is set out on pages 65 to 67 of this Annual Report.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
ACCOUNTABILITY AND AUDIT		
RISK MANAGEMENT AND INTERNAL CONTROLS		
9 9.1	*Risk Governance by the Board*	The Board, with the assistance of the AC, is responsible for the overall risk governance, risk management and internal control systems and framework of the Group. The Board has in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.
	Identification of the Group's risks	At least once a year, the Group undertakes a formal enterprise-wide review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational, compliance and information technology controls. During this exercise, risk owners review and update the risks and controls for their respective areas. The result of this annual risk review is presented to the AC to ensure enterprise risks are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business. For FY 2019, the Board and AC has reviewed and is satisfied that the controls are adequate. Operational business risks are identified, addressed and reviewed on an ongoing basis by the Management. The Management then reports and updates the AC on a regular basis. For material risks which includes breaches in regulations or events that would potentially incur substantial damages/loss, the Board has an internal practice in place, whereby the Board is notified of such major incidents to be able to provide oversight and advise the Management accordingly.
	Management of risks	For FY2019, the Board and AC has reviewed that the Group's key risks largely lies in the area of market competition, human resources, safety and environmental practices, geographic risks, compliance with laws and regulation. They have been mitigated by way of material reusage control, innovation, personnel training and client satisfaction.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
9.2	*Confirmation of Internal Controls* (a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board and the AC are of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2019. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and FC (refer to Section 9.2(b) of Table I); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel evaluates, monitors material risks and reports to the AC on a regular basis; 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns; and 5. An enterprise risk management framework was established to identify, manage and mitigate significant risks.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the FC as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and FC in respect of FY2019. The Board had additionally relied on IA reports in respect of, amongst others, invoicing, inventory management, human resource and payroll management, risk management services, interested party transactions and financial controllership issued to the Company as assurances that the Company's risk management and internal control systems are effective.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
AUDIT COMMITTEE		
10.1 10.3	*Role of the AC*	All members of the AC are Non-Executive Directors who are independent do not have any management and business relationships with the Company or any substantial shareholder of the Company. The AC is guided by its key terms of reference, which includes: (a) Reviewing the significant financial reporting issues and judgements 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 assurance from the CEO and the FC on the financial records and financial statements; (d) Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and internal audit function; (e) Reviewing the scope and results of the external audit, and the independence and objectivity of the EA; (f) Making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the EA, and the remuneration and terms of engagement of the EA; (g) Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on; (h) Review and approve transactions falling within the scope of Chapters 9 and 10 of the Catalist Rules (if any); and (i) Reviewing any potential conflicts of interest. In particular, the AC will review and assess from time to time whether additional processes are required to be put in place to manage any material conflicts of interest between the Group and the Directors, CEO, controlling shareholders and/or their respective associates and propose, where appropriate, the relevant measures for the management of such conflicts.
	Whistle Blowing Policy	The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report through email to ac@kori.com.sg.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
10.2	*Qualification of the AC members*	Yes. The Board considers Mr. Kuan Cheng Tuck, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Mr. Lim Yeok Hua and Mr. Nicholas Philip Lazarus are also trained in accounting and financial management. The members of the AC collectively have a combined 20 over years of strong accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.
10.4	*Internal Audit Function*	The Company's internal audit function is outsourced to RSM Risk Advisory Pte Ltd that reports directly to the AC Chairman and administratively to the Management. The AC is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to. The AC is satisfied that internal auditor is able to discharge its duties effectively as the internal auditor: • is adequately qualified, given that Partner and the staff assigned to the internal audit of the Company are members of the Institute of Internal Auditors and it adheres to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors; • is adequately resourced as there is a team of three members assigned to the Company's internal audit, led by the Partner, with audit experience in the real estate and construction industry; and • has the appropriate standing in the Company, given, *inter alia*, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.
10.5	*Met Auditors in Management's Absence*	The AC has met with the IA and the EA once in the absence of key management personnel in FY2019.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
SHAREHOLDER RIGHTS AND ENGAGEMENT		
SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS		
11.1	*Shareholders' Participation at General Meetings*	Shareholders are entitled to attend the general meetings and are afforded the opportunity to participate effectively in and vote at general meetings. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
	Appointment of Proxies	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may appoint more than two proxies.
11.2	*Bundling of Resolutions*	Resolutions requiring shareholders' approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together. Reasons, and implications of why resolutions are bundled will be set out in the circulars sent out.
11.3	*Directors' Attendance*	The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.
11.4	*Absentia Voting*	The Company's Constitution allows for abstentia voting, (including but not limited to the voting by mail, electronic mail or facsimile).
11.5	*Publication of Minutes*	All minutes of general meetings, including the substantial and relevant comments or queries raised by shareholders in relation to the meeting agenda and the responses from the Board and/ or Management, will be made available to shareholders upon their request within one month after the general meeting. The Company is of the view that minutes of the general meeting should be made available only when requested by shareholders.
11.6	*Dividend Policy* (a) Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration. The Company has a track record of distributing 4% to 38% of its net profits as dividends.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Provision	**Code and/or Guide Description**	**Company's Compliance or Explanation**
	(b) Is the Company paying dividends for the financial year? If not, please explain why.	The Board has proposed a first and final dividend of S$0.0005 per ordinary share for FY2019 which will be subject to shareholders' approval at the forthcoming AGM.
ENGAGEMENT WITH SHAREHOLDERS		
12.1 12.2 12.3 13.3	*Communication with Shareholders* (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via: • a dedicated external investor relations team whose contact details can be found www.kori.com.sg; • investor relations webpage at www.kori.com.sg/ir.html; and • investor/analyst briefings. The Company held 2 investor briefings in FY2019 to meet with its institutional and retail investors. In FY 2019, the management has also briefed shareholders on the Company's performance during the general meetings held. The Company currently does not have an investor relations policy but considers advice from its continuing sponsor, corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.kori.com.sg and its investor relations webpage at www.kori.com.sg/latestnews.html and www.kori.com.sg/od.html. All materials presented in general meetings are uploaded on the SGXNET. For enquires and all other matters, Shareholders and all other parties can contact the Company at 11 Sims Drive #06-01 SCN Centre Singapore 387385.
MANAGING STAKEHOLDERS RELATIONSHIP		
ENGAGEMENT WITH STAKEHOLDERS		
13.1 13.2	*Stakeholders Management*	The Company undertakes an annual review in identifying its material stakeholders. It assesses the material environmental, social and governance factors that affects the Group. The Company will issue the sustainability report for FY2019 by 31 May 2020 in Compliance to Rule 711A.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE II – COMPLIANCE WITH CATALIST RULES</th></tr>
<tr><th>Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(6)(A)</td><td>Non-audit fees

(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 1204(6)(A) – Fees Paid/Payable to the EA for FY2019</th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>73,000</td><td>85.4</td></tr>
<tr><td>Non-Audit Fees</td><td>12,500</td><td>14.6</td></tr>
<tr><td>Total</td><td>85,500</td><td>100</td></tr>
</table></td></tr>
<tr><td>1204(6)(B)</td><td>Confirmation by AC

(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The non-audit services rendered during FY2019 were not substantial.</td></tr>
<tr><td>1204(6)(C)</td><td>Appointment of Auditors</td><td>The Company confirms its compliance to Rules 712 and 715 of the Catalist Rules.</td></tr>
<tr><td>1204(8)</td><td>Material Contracts</td><td>There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.</td></tr>
<tr><td>1204(10)</td><td>Adequacy of Internal Controls</td><td>Please refer to the confirmation provided by the Board in Section 9.2 of Table I.</td></tr>
<tr><td>1204(10B)</td><td>Adequacy of Internal Audit Function</td><td>The AC is of the opinion that the internal audit function is independent, effective and adequately resourced.</td></tr>
<tr><td>1204(11)</td><td>Properties held for development/ sale/investment</td><td>Not applicable, as the Company does not hold any land or building for development, sale or investment. The leasehold lands and held by the Company are for operational purposes.</td></tr>
<tr><td>1204(17)</td><td>Interested Person Transactions ("IPT")</td><td>There were no IPTs with value more than S$100,000 transacted during FY2019.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

TABLE II – COMPLIANCE WITH CATALIST RULES		
Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(19)	*Dealing in Securities*	The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the date of the announcement of the relevant results.
1204(21)	*Non-sponsor Fees*	The total amount of non-sponsor fees paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd for FY2019 was S$5,400.
1204(22)	*Use of IPO Proceeds*	There are no outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules.

CORPORATE **GOVERNANCE REPORT**

Please refer to the table below for additional information on Directors to be re-elected at the forthcoming AGM:

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	**Mr. Ng Wai Kit**
Date of appointment announcement (“**Previous Announcement**”)	14 May 2018	1 March 2018
Any changes to the Previous Announcement?	No	No
Changes to the Previous Announcement, if applicable		
Designation	Executive Chairman and CEO	Executive Director
Date of appointment	18 May 2012	2 March 2018
Date of last re-appointment	26 April 2018	26 April 2018
Age	48	49
Country of principal residence	Singapore	Singapore
Academic qualifications	• University of Malaya – Bachelor Degree in Engineering (Civil)	• National University of Singapore – Masters Degree in Science (Civil Engineering) • University of Malaya – Bachelor Degree in Engineering (Civil)
Professional memberships/qualifications	• American Welding Society – Certified Welding Inspector	Nil
Current directorships		
Public companies	• Kori Holdings Limited	• Kori Holdings Limited
Private companies	• Kori Construction (S) Pte. Ltd. • Ming Shin Construction (S) Pte. Ltd. • Be-st A-A Centre Pte. Ltd. • Kori Construction (M) Sdn. Bhd.	Nil

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	**Mr. Ng Wai Kit**
Past directorships (in the last 5 years)		
Public companies	Nil	Nil
Private companies	• Fuchiang Construction Pte Ltd	• Kori Construction (S) Pte. Ltd. • Ming Shin Construction (S) Pte. Ltd.
Principal commitments[1]	Executive Director of Kori Holdings Limited and its subsidiaries.	Executive Director of Kori Holdings Limited
Shareholding interest in the Company and its subsidiaries	Aggregate (direct and deemed) interest of 34.13% in the shares of the Company, comprising direct interest of 18,939,100 shares representing a shareholding of 19.09% and an indirect interest of 14,924,000 shares representing a shareholding of 15.04%.	Direct interest of 10,000 shares representing a shareholding of 0.01% in the shares of the Company.
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Hooi as Executive Chairman of the Company was recommended by the NC and the Board has accepted the recommendation, after the assessment of his performance, past experiences and overall contribution since his appointment as a Director of the Company.	The re-election of Mr Ng as Executive Director of the Company was recommended by the NC and the Board has accepted the recommendation, after the assessment of his performance, past experiences and overall contribution since his appointment as a Director of the Company.
Whether the appointment has changed from non-executive to executive. If so, please state the area of responsibility	N.A.	N.A.

[1] *Include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION

	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	**Mr. Ng Wai Kit**
Working experience and occupation(s) during the past 10 years	August 2017 to present – Executive Director of Be-st A-A Centre Pte. Ltd. July 2014 to August 2016 – Executive Director of Fuchiang Construction Pte. Ltd. May 2012 to present – Executive Director of Kori Holdings Limited October 2005 to present – Executive Director of Kori Construction (S) Pte. Ltd. July 2004 to present – Executive Director of Ming Shin Construction (S) Pte. Ltd. June 2004 to present – Executive Director of Kori Construction (M) Sdn. Bhd.	March 2018 to present – Executive Director of Kori Holdings Limited February 2017 to May 2018 – Executive Director of Ming Shin Construction (S) Pte. Ltd. August 2014 to May 2018 – Executive Director of Kori Construction (S) Pte. Ltd. January 2012 to March 2018 – Technical Controller of Kori Holdings Limited May 2009 to February 2017 – Engineering Manager of Ming Shin Construction (S) Pte. Ltd. May 2009 to August 2014 – Technical Controller of Kori Construction (S) Pte. Ltd.
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Nil	Nil
Conflict of Interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	Mr. Ng Wai Kit
The general statutory disclosures of the Directors are as follows:		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes. Mr Hooi resigned as Director of Fuchiang Construction Pte Ltd in July 2016 (effective August 2016). Fuchiang Construction Pte Ltd filed for Voluntary Liquidation in September 2016.	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

CORPORATE GOVERNANCE REPORT

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	Mr. Ng Wai Kit
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	Mr. Ng Wai Kit
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	No	No
(k) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(l) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(m) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(n) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Mr. Hooi Yu Koh	**Mr. Ng Wai Kit**
(o) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Yes. Mr Hooi had received a warning from the Monetary Authority of Singapore for the late notification of transactions conducted in respect of Kori Holdings Limited's shares. The transaction took place on 25 August 2016 and 22 November 2016 while the notification was only made on 31 March 2017.	No
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This relates to the re-election of a director.	Not applicable. This relates to the re-election of a director.
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	N.A	N.A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A	N.A

N.A – Not Applicable

DIRECTORS' **STATEMENT**

The Directors of Kori Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of 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.

2. Directors

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

Hooi Yu Koh
Ng Wai Kit
Kuan Cheng Tuck
Nicholas Philip Lazarus
Lim Yeok Hua

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is 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, except as disclosed in paragraphs 5 and 6 in this statement below.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Direct Interest	
	Balance as at 1 January 2019	**Balance as at 31 December 2019**
	Number of ordinary shares	
Company		
Hooi Yu Koh	33,816,200	33,816,200
Ng Wai Kit	10,000	10,000

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Act, Hooi Yu Koh and Ng Wai Kit are deemed to have an interest in all related corporations of the Company.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

The Company's shareholders adopted the Kori Employee Share Option Scheme (the "Share Option Scheme") on 21 November 2012 for granting of options to confirmed employees and directors of the Group. Controlling shareholders and their associates are not eligible to participate in the Share Option Scheme. The total number of ordinary shares over which the Company may grant under the Share Option Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

The Share Option Scheme is administered by the Remuneration Committee, comprising Nicholas Philip Lazarus, Kuan Cheng Tuck and Lim Yeok Hua (the "Committee"). A member of the Committee who is also a participant of the Share Option Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Committee:

(a) set at a discount to a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days (the "Market Price") immediately preceding the relevant date of grant of the relevant option, provided that:

    (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and

    (ii) the shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the scheme at a discount not exceeding the maximum discount as aforesaid, in which event, such options may be exercised after the second anniversary of the date of grant and expiring on the tenth anniversary of such date of grant; or

(b) fixed at the Market Price (the "Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time from time to time at the discretion of the Committee. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant, bankruptcy of the participant, death of the participant, a take-over of the Company and the winding-up of the Company.

DIRECTORS' STATEMENT

5. **Share options (Continued)**

The Share Option Scheme shall continue in operation for a maximum period of ten (10) years commencing on the date on which the Share Option Scheme is adopted, provided that the Share Option Scheme may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Since the commencement of the Share Option Scheme till the end of the financial year, no options has been granted under the Share Option Scheme.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under options at the end of the financial year.

6. **Performance share plan**

The Kori Performance Share Plan (the "Share Plan") was adopted by the shareholders of the Company on 21 November 2012. Unlike the options granted under the Share Option Scheme, the Share Plan contemplates the award of fully-paid shares (the "Award") to participants after certain pre-determined benchmarks have been met. The Directors believe that the Share Plan will be more effective than pure cash bonuses in motivating employees of the Group to work towards pre-determined goals.

The Share Plan allows for participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 18 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors.

The Share Plan is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance. The purpose of adopting the Share Plan in addition to the Share Option Scheme is to give the Directors greater flexibility to align the interests of employees of the Group, especially key executives, with the interests of Shareholders.

The objectives of the Share Plan are as follows:

(a) to provide an opportunity for participants of the Share Plan to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(b) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

DIRECTORS' STATEMENT

6. Performance share plan (Continued)

The Share Plan shall be managed by the Committee which has the absolute discretion to determine persons who will be eligible to participate in the Share Plan. A participant who is a member of the Committee shall not be involved in any deliberation or decision in respect of awards (as the case may be) to be granted to or held by that participant.

The Share Plan shall continue in operation at the discretion of the Committee for a maximum period of ten (10) years commencing on the date on which the Share Plan is adopted, provided that the Share Plan may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Plan may be terminated at any time by the Committee and by resolution of the shareholders in general meeting, subject to all relevant approvals which may be required to be obtained. The termination of the Share Plan shall not affect the awards which have been granted in accordance with the Share Plan.

The Company will have flexibility to deliver the award shares to participants upon the vesting of their awards by way of:

(i) an issue of new shares; and/or

(ii) the purchase of existing shares on behalf of the participants.

The total number of new shares which may be issued pursuant to awards granted on any date; and total number of existing shares which may be purchased from the market for delivery pursuant to awards granted under the Share Plan, when added to the number of new shares issued and issuable in respect of all awards granted under the Share Plan (including the Share Option Scheme and any other share option schemes of the Company), shall not exceed 15% of the number of issued shares (including treasury shares, as defined in the Companies Act) on the day preceding that date of grant of the relevant awards.

Since the commencement of the Share Plan, the Company has not granted any Awards under the Share Plan.

7. Audit Committee

The Audit Committee comprises the following members who are all non-executive and Independent Directors. The members of the Audit Committee during the financial year and at the date of this statement are:

Kuan Cheng Tuck (Chairman)
Nicholas Philip Lazarus
Lim Yeok Hua

In accordance with Section 201B(5) of the Act, the Audit Committee has reviewed with the Company's internal auditors their audit plan and the scope and results of their internal audit procedures. It has also reviewed with the Company's independent auditors, BDO LLP, their audit plan, their evaluation of the system of internal accounting controls, their audit report on the accompanying financial statements for the financial year ended 31 December 2019 and the assistance given by the management of the Group to them. The accompanying financial statements as well as the independent auditors' report thereon have been reviewed by the Committee prior to their submission to the Board of Directors.

The Audit Committee has recommended to the Board of Directors the re-appointment of BDO LLP as independent auditors of the Company, at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

8. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Hooi Yu Koh
Director

Ng Wai Kit
Director

Singapore
24 March 2020

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF KORI HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of Kori Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kori Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 63 to 121 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Key Audit Matters

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

1 Revenue recognition

Key Audit Matter

The Group is principally engaged in providing civil/structural engineering and infrastructural construction services such as installation and dismantling services for structural steel works and supply of labour for tunneling works ("Construction Services").

The Group has identified the supply of steel beams and oil jacks as lease arrangement and revenue is measured separately from the provision of Construction Services.

During the financial year ended 31 December 2019, the Group's revenue from Construction Services and rental of steel beams and oil jacks amounted to $11,141,295 and $6,121,995 respectively.

The Group's Construction Services are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group as the project progresses. The Group applies the input method to determine the percentage-of-completion which is measured by total contract costs incurred to-date over total budgeted contract costs of the construction contracts as approved by management.

We have determined revenue recognition as a key audit matter due to the significant management judgement and estimates involved in the accounting for arrangements of sale and buyback of the supply of steel beams and oil jacks and determining the percentage-of-completion of the Constructions Services.

Related Disclosures

Refer to Notes 2.8, 3.1, 3.2, 4 and 13 to the accompanying financial statements.

Audit Response

We performed the following audit procedures, amongst others:

- Evaluated the appropriateness of the Group's revenue recognition accounting policies;
- Selected significant construction contracts and obtained an understanding of the key terms of the contracts;
- Carried out tests of controls surrounding management's internal costing and revenue recognition process to estimate contract revenues, contract costs and profit margins;
- Evaluated management's budgets and assessed budgeted contract costs against actual contract costs for completed projects;
- Obtained an understanding of the progress and status of the significant ongoing construction contracts through discussions with management and conducting site visits;
- Tested the costs-to-complete for significant ongoing construction contracts by evaluating the reasonableness of the estimated labour hours, estimated labour rates and overhead expenses;

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Key Audit Matters (Continued)

1 Revenue recognition (Continued)

Audit Response (Continued)

We performed the following audit procedures, amongst others: (Continued)

- Tested the labour costs charged for significant ongoing construction contracts against the timesheets of the construction contract employees, on sample basis. We also verified the existence of those employees by checking against payroll records; and
- Assessed the adequacy of the related disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS 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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
24 March 2020

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Revenue	4	**17,263,290**	26,134,417
Cost of sales		**(12,352,933)**	(18,598,589)
Gross profit		**4,910,357**	7,535,828
Other items of income			
Other income	5	**187,385**	217,043
Interest income		**14,541**	8,778
Other items of expense			
Administrative expenses		**(3,325,443)**	(3,063,404)
Loss allowance on trade, other and retention receivables		**(260,529)**	(1,203,551)
Other expenses		**(1,089,355)**	(2,890,508)
Finance costs	6	**(269,666)**	(281,517)
Profit before income tax	7	**167,290**	322,669
Income tax expense	8	**(57,413)**	(71,178)
Profit for the financial year, attributable to owners of the parent		**109,877**	251,491
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency differences on translation of foreign operations		**6,449**	12,519
Income tax relating to items that may be reclassified subsequently to profit or loss		**–**	–
Other comprehensive income, net of tax		**6,449**	12,519
Total comprehensive income for the financial year, attributable to owners of the parent		**116,326**	264,010
Earnings per share			
Basic and diluted	9	**0.11 cents**	0.25 cents

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Non-current assets					
Property, plant and equipment	10	**33,136,346**	32,839,855	**–**	–
Investments in subsidiaries	11	**–**	–	**27,069,780**	27,069,780
Total non-current assets		**33,136,346**	32,839,855	**27,069,780**	27,069,780
Current assets					
Trade and other receivables	12	**8,993,640**	12,536,583	**994,919**	989,740
Contract assets	13	**17,194,502**	16,336,209	**–**	–
Prepayments		**34,755**	26,611	**657**	657
Current income tax recoverable		**643,094**	643,094	**–**	–
Cash and bank balances	14	**1,248,870**	1,365,242	**73,974**	12,945
Fixed deposit pledged	14	**2,045,833**	1,031,291	**–**	–
Total current assets		**30,160,694**	31,939,030	**1,069,550**	1,003,342
Less:					
Current liabilities					
Trade and other payables	15	**3,990,925**	8,942,045	**57,879**	58,282
Contract liabilities	13	**3,239,735**	–	**–**	–
Lease liabilities/Finance lease liabilities	16	**398,041**	133,921	**–**	–
Bank borrowings	17	**3,820,149**	4,105,564	**–**	–
Current income tax payable		**2,420**	26,066	**2,420**	6,409
Total current liabilities		**11,451,270**	13,207,596	**60,299**	64,691
Net current assets		**18,709,424**	18,731,434	**1,009,251**	938,651
Less:					
Non-current liabilities					
Lease liabilities/Finance lease liabilities	16	**205,369**	127,508	**–**	–
Deferred tax liabilities	18	**397,723**	317,429	**–**	–
Total non-current liabilities		**603,092**	444,937	**–**	–
		51,242,678	51,126,352	**28,079,031**	28,008,431
Equity					
Share capital	19	**32,290,650**	32,290,650	**32,290,650**	32,290,650
Merger reserve	20	**(25,627,521)**	(25,627,521)	**–**	–
Foreign currency translation reserve/ (account)	21	**6,244**	(205)	**–**	–
Retained earnings/(Accumulated losses)	22	**44,573,305**	44,463,428	**(4,211,619)**	(4,282,219)
Total equity attributable to owners of the parent		**51,242,678**	51,126,352	**28,079,031**	28,008,431

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	← Attributable to owners of the parent →				
		Share capital $	Merger reserve $	Foreign currency translation reserve/ (account) $	Retained earnings $	Total equity $
Balance at 1 January 2019		**32,290,650**	**(25,627,521)**	**(205)**	**44,463,428**	**51,126,352**
Profit for the financial year		**–**	**–**	**–**	**109,877**	**109,877**
Other comprehensive income for the financial year:						
Exchange differences on translation of foreign operations		**–**	**–**	**6,449**	**–**	**6,449**
Total comprehensive income for the financial year		**–**	**–**	**6,449**	**109,877**	**116,326**
Balance at 31 December 2019		**32,290,650**	**(25,627,521)**	**6,244**	**44,573,305**	**51,242,678**
Balance at 1 January 2018		32,290,650	(25,627,521)	(12,724)	44,311,137	50,961,542
Profit for the financial year		–	–	–	251,491	251,491
Other comprehensive income for the financial year:						
Exchange differences on translation of foreign operations		–	–	12,519	–	12,519
Total comprehensive income for the financial year		–	–	12,519	251,491	264,010
Distribution to owners of the parent:						
Dividends	23	–	–	–	(99,200)	(99,200)
Balance at 31 December 2018		32,290,650	(25,627,521)	(205)	44,463,428	51,126,352

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 $	2018 $
Operating activities		
Profit before income tax	**167,290**	322,669
Adjustments for:		
Loss allowance on trade, other and retention receivables	**260,529**	1,203,551
Bad trade receivables written off	**–**	382,698
Depreciation of property, plant and equipment	**1,902,253**	1,529,936
Loss on disposals of plant and equipment	**1,089,355**	2,890,508
Interest expense	**273,946**	283,978
Interest income	**(14,541)**	(8,778)
Unrealised foreign exchange loss	**10,230**	13,284
Operating cash flows before working capital changes	**3,689,062**	6,617,846
Working capital changes:		
Trade and other receivables	**3,287,987**	2,434,312
Contract assets	**(858,293)**	(7,924,245)
Trade and other payables	**(4,993,431)**	3,182,044
Contract liabilities	**3,239,735**	(206,709)
Prepayments	**(8,145)**	45,931
Cash generated from operations	**4,356,915**	4,149,179
Income tax paid	**(763)**	(717,016)
Net cash generated from operating activities	**4,356,152**	3,432,163
Investing activities		
Interest received	**8,967**	8,778
Proceeds from disposal of plant and equipment	**448,691**	3,567,807
Purchase of property, plant and equipment	**(2,933,354)**	(1,466,686)
Net cash (used in)/generated from investing activities	**(2,475,696)**	2,109,899

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$	$
Financing activities			
Fixed deposit pledged with a financial institution		**(1,014,542)**	(8,778)
Repayments of lease liabilities/finance lease liabilities	A	**(422,723)**	(143,346)
Proceeds from bank borrowings	A	**4,986,714**	2,952,532
Repayments of bank borrowings	A	**(5,272,129)**	(8,434,549)
Dividends paid to owners of the parent	22	**–**	(99,200)
Interest paid		**(273,946)**	(268,474)
Net cash used in financing activities		**(1,996,626)**	(6,001,815)
Net change in cash and cash equivalents		**(116,170)**	(459,753)
Cash and cash equivalents at beginning of financial year		**1,365,242**	1,825,759
Effects of exchange rate changes on cash and cash equivalents		**(202)**	(764)
Cash and cash equivalents at end of financial year	14	**1,248,870**	1,365,242

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2018	Cash flows	Non-cash change Accretion of interest	31 December 2018
	$	$	$	$
Finance lease liabilities	391,732	(143,346)	13,043	261,429
Bank borrowings	9,587,581	(5,482,017)	–	4,105,564
	9,979,313	(5,625,363)	13,043	4,366,993

During the financial year ended 31 December 2019, there were no non-cash transactions arising from financing activities.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL CORPORATE INFORMATION

Kori Holdings Limited is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 11 Sims Drive, #06-01 SCN Centre, Singapore 387385. The Company's registration number is 201212407R. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are investment holding and management and administrative support to its subsidiary corporations.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 24 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

Items included in the individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in conformity with SFRS(I) requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of the revenue and expenses throughout the financial years. Although these estimates are based on management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the financial year of the revision and future years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company have adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to their operations and effective for the current financial year. The adoption of these new or revised SFRS(I) and SFRS(I) INT did not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except for the adoption of SFRS(I) 16 *Leases* as disclosed below.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policy

New standards, amendments and interpretations effective from 1 January 2019

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be depreciated and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the "date of initial application"). In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to office premises, warehouse and a motor vehicle which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2.15%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment. Right-of-use assets are presented within "Property, plant and equipment".

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policy (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the property, plant and equipment and lease liabilities as at 31 December 2018.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase $
Assets	
Property, plant and equipment	**764,704**
Liabilities	
Lease liabilities	**764,704**

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitments as at 31 December 2018 can be reconciled as follows:

	$
Operating lease commitments as at 31 December 2018 (Note 24)	1,601,482
Less: Effect of application of new lease definition	(1,327,430)
Add: Effect of extension options reasonably certain to be exercised	507,987
	782,039
Effect of discounting using the incremental borrowing rate as at date of initial application	(17,335)
	764,704
Add: Finance lease liabilities recognised at 31 December 2018	261,429
Total lease liabilities as at 1 January 2019	1,026,133

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 (Amendments)	:	Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	:	Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various (Amendments)	:	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above SFRS(I)s in future periods, if applicable, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost, less any impairment loss, in the Company's statement of financial position.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group's equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

	Years
Leasehold land	60
Furniture and fittings	10
Motor vehicles	5
Office equipment	1 – 10
Plant and machinery	5
Office premises/warehouse	1 – 20
Building	53
Steel beams and oil jacks	15

No depreciation is charged on construction-in-progress as they are not ready for use as at the end of the reporting period.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

Prior to 1 January 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Effective from 1 January 2019, all leased assets were classified as right-of-use assets and accounted for in accordance with Note 2.11.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in their statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets

The Group and the Company classify their financial assets as measured at amortised cost. The classification depends on the Group and the Company’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify their affected financial assets when and only when the Group and the Company change their business model for managing these financial assets.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade and retention receivables and contract assets as defined in SFRS(I) 15), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables, retention receivables and contract assets are recognised based on the expected credit loss model within SFRS(I) 9 using the Group's historical observed default rates to determine the lifetime expected credit losses. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook and credit rating of Singapore's economy. At each reporting period, historical default rates are updated and changes in the industry future outlook and credit rating of Singapore's economy are reassessed. The Group also evaluates expected credit loss on credit impaired receivables separately at each reporting period. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from subsidiaries and other receivables due from third parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group and the Company's financial assets measured at amortised cost comprise trade and other receivables and cash and bank balances in the statements of financial position.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary shares as equity instruments.

Financial liabilities

The Group and the Company classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables, excluding advance billings to customers, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs. (Note 2.12)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposit, net of fixed deposit pledged.

2.8 Revenue recognition

The Group recognises revenue from providing civil/structural engineering and infrastructural construction services such as installation and dismantling services for structural steel works and supply of labour for tunnelling works ("Construction Services") as a sub-contractor for commercial, industrial and public infrastructural construction projects.

Revenue is measured based on the consideration specified in contracts with customers and excludes amount collected on behalf of third parties (i.e. sales related taxes).

The Group's construction services are segregated into the structural steel works and tunnelling segments which are under long-term contracts with customers. Such contracts are entered before the construction of the commercial, industrial or public infrastructural projects. The Group has assessed that these Construction Services contracts qualify for over time revenue recognition as the customer simultaneously receives and consumes the benefits provided by the Group as the project progresses. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract as approved by management ("input method") and excludes goods or services for which the Group does not transfer control to its customers.

The Group becomes entitled to invoice customers for construction services based on acknowledgement of payment certification by the main contractors. The Group submits a progress claim on a monthly basis to the main contractor for assessment of work performed. The Group would have previously recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. The period between the completion of the construction services and payment by the customer may exceed one financial year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customer from the Group's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Revenue recognition (Continued)

Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

Incremental costs of obtaining a construction contract are capitalised if these costs are recoverable. Costs incurred to fulfil a construction contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised over the duration of the construction contract. Other costs are expensed as incurred.

Rental income from supply of steel beams and oil jacks are recognised on a time-proportion basis.

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

2.9 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

When the grant relates to an asset, the fair value is recognised as a deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset.

2.10 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases

Group as lessor

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

Initial measurement

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on their remaining balance of the liability for each period.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group’s incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in “Property, plant and equipment” and lease liabilities separately from other liabilities in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets on the following bases:

	Years
Office premises/warehouse	1 – 3
Machinery	1
Motor vehicle	1
Office equipment	1 – 2

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use assets may be impaired. The accounting policy on impairment is as described in Note 2.5 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use being adjusted by the same amount.
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the negotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 January 2019

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Accounting policy prior to 1 January 2019 (Continued)

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessor

Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.13 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Income tax (Continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Foreign currencies transactions and translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the financial year, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign currencies transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange translation reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.15 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared for payment. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.17 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have significant effect on the amounts recognised in the financial statements except as discussed below.

Leasing of steel beams and oil jacks

For revenue from contracts with customer under the structural steel works segment, the Group has identified that the supply of steel beams and oil jacks as an operating lease and revenue is measured separately from those of provision of civil/structural engineering and infrastructural construction services ("Construction Services"). This assessment requires the Group to consider whether (i) the fulfilment of the Construction Services are dependent on the use of steel beams and oil jacks; and (ii) the Constructions Services conveys a right to use the steel beams and oil jacks.

Upon considering the above factors, the Group has determined that its supply of steel beams and oil jacks embedded in the revenue from contract with customers for Construction Services constitute a leasing arrangement.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

Loss allowance for trade receivables, retention receivables and contract assets

Trade receivables, retention receivables and contract assets

As at 31 December 2019, the Group's trade receivables, retention receivables and contract assets amounted to $1,026,386, $2,537,211 and $17,194,502 (2018: $1,484,691, $5,083,249 and $16,336,209) respectively. All of the Group's receivables are with counterparties based in Singapore and mainly main contractors with similar credit profiles.

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook and credit rating of Singapore's economy. At each reporting period, historical default rates are updated and changes in the industry future outlook and credit rating of Singapore's economy are reassessed. The Group also evaluates expected credit loss on credit impaired receivables separately at each reporting period. The loss allowance for those receivables which are not credit impaired as at 31 December 2019 is disclosed in Note 12 to the financial statements. The Group's credit risk exposure is set out in Note 27.1 to the financial statements.

Loans due from subsidiaries

Management determines whether there is significant increase in credit risk of these subsidiaries since initial recognition. Management review the financial performance and results of these subsidiaries. There is no significant increase in credit risk as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Revenue from contracts with customers

Estimation of total contract costs

The Group uses the contract costs incurred to date in proportion to the total estimated contract costs of each contract ("input method") to account for its contract revenue.

Where the outcome of the total contract costs are different from the original estimates, such differences will impact revenue and contract balances in the period in which such estimate has been changed. The carrying amounts of contract balances are disclosed in Note 13 to the financial statements.

Significant assumptions are used to estimate the total contract costs which will affect the revenue recognised to profit or loss. In making these estimates, management has relied on past experiences and expertise of the Group's project specialist.

As at 31 December 2019, the Group's contract assets amounted to $16,475,594 (2018: $15,666,035) is subject to estimation of progress towards completion using the input method. If total contract costs of ongoing contracts to be incurred had been higher or lower by 5% from management's estimates, the Group's profit would have been lower and higher by approximately $514,000 and $568,000 (2018: $424,000 and $469,000) respectively.

Impairment of investments in subsidiaries

The Company follow the guidance of SFRS(I) 1-36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. As at 31 December 2019, the Company's carrying amount of investments in subsidiaries amounted to $27,609,780 (2018: $27,609,780).

Depreciation of steel beams and oil jacks

The costs of steel beams and oil jacks are depreciated on a straight-line basis over their estimate useful economic lives. Management estimates the useful lives of these steel beams and oil jacks to be 15 years. As at 31 December 2019, the residual values of the steel beams and oil jacks are estimated to be $430 (2018: $430) per ton.

Changes in the expected level of usage could impact the estimated economic useful lives and the residual values of these assets, therefore estimates of future depreciation charges could be revised if expectations differ from previous estimates. As at 31 December 2019, the Group's carrying amount of steel beams and oil jacks amounted to $30,431,961 (2018: $30,424,534).

A difference of 3 years in the expected useful lives of these assets from the management's estimates would result in approximately $462,000 (2018: $224,000) variance in the Group's profit before income tax for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 2.15%. As at 31 December 2019, the carrying amount of the Group's lease liabilities amounted to $603,410.

4. REVENUE

Disaggregation of revenue

The Group has disaggregated revenue into the following categories:

	Structural steel works segment		Tunnelling works segment		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**	**$**	**$**
Construction services (Over time)	**9,859,458**	13,689,323	**1,281,837**	2,884,617	**11,141,295**	16,573,940
Rental of steel beams and oil jacks	**6,121,995**	9,560,477	**–**	–	**6,121,995**	9,560,477
	15,981,453	23,249,800	**1,281,837**	2,884,617	**17,263,290**	26,134,417

The revenue of the Group are all generated within Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. OTHER INCOME

	Group	
	2019	2018
	$	$
Government grants	**28,479**	64,896
Sales of scraps	**37,491**	57,454
Secondment of workers	**41,913**	62,543
Foreign exchange gain, net	**–**	11,092
Others	**79,502**	21,058
	187,385	217,043

6. FINANCE COSTS

	Group	
	2019	2018
	$	$
Interest expense:		
– Lease liabilities/Finance lease liabilities	**17,889**	13,043
– Bank borrowings	**256,057**	270,935
	273,946	283,978
Less: Interest expense allocated to cost of sales line item	**(4,280)**	(2,461)
Finance costs recognised in profit or loss	**269,666**	281,517

7. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2019	2018
	$	$
Cost of sales		
Accommodation of construction workers	**635,572**	822,462
Amortisation of preliminary costs	**589,517**	90,222
Hiring of machineries	**1,053,114**	1,623,729
Subcontractors charges	**66,111**	1,251,075
Worksite expenses	**1,664,453**	2,832,397

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. PROFIT BEFORE INCOME TAX (CONTINUED)

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges: (Continued)

	Group	
	2019	**2018**
	$	**$**
Administrative and other expenses		
Audit fees		
– auditors of the Company	**73,000**	54,000
– other auditors	**6,257**	6,619
Non-audit fees		
– auditors of the Company	**12,500**	–
– other auditors	**21,647**	50,336
Bad trade receivables written off	**–**	382,698
Foreign exchange loss, net	**7,077**	–
Hiring of equipment	**20,799**	32,515
Professional fees	**526,670**	517,862
Storage services	**149,173**	424,560
Loss on disposals of plant and equipment	**1,089,355**	2,890,508

Depreciation of property, plant and equipment is recognised in the following line items of the Group's profit or loss:

	Group	
	2019	**2018**
	$	**$**
Cost of sales	**1,416,280**	1,160,199
Administrative expenses	**485,973**	369,737
	1,902,253	1,529,936

Employee benefits expense is recognised in the following line items of the Group's profit or loss:

	Group	
	2019	**2018**
	$	**$**
Cost of sales		
– salaries, wages, bonuses and other short term benefits	**6,732,150**	9,342,457
– employer's contribution to defined contribution plans	**157,662**	196,599
Administrative expenses		
– salaries, wages, bonuses and other short term benefits	**1,394,429**	1,256,392
– employer's contribution to defined contribution plans	**121,866**	117,490
	8,406,107	10,912,938

Employee benefits expense includes the remuneration of key management personnel as disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE

	Group	
	2019	**2018**
	$	**$**
Current income tax		
– current financial year	**2,420**	26,066
– overprovision in prior financial years	**(25,582)**	(16,449)
	(23,162)	9,617
Deferred tax		
– current financial year	**80,575**	61,561
Total income tax expense recognised in profit or loss	**57,413**	71,178

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	Group	
	2019	**2018**
	$	**$**
Profit before income tax	**167,290**	322,669
Tax calculated at applicable tax rate of 17% (2018: 17%)	**28,439**	54,854
Effects of:		
– Singapore statutory stepped income exemption	**(21,300)**	(64,006)
– Effect of different income tax rate in another country	**(335)**	(2,548)
– Expenses not deductible for tax purposes	**579,405**	350,453
– Income not subject to tax	**(16,407)**	(15,691)
– Deferred tax assets not recognised	**26,708**	75,530
– Utilisation of capital allowances deferred previously	**(399,264)**	(311,236)
– Utilisation of previously unrecognised capital allowances	**(75,530)**	(17,365)
– Tax rebate	**(605)**	(1,402)
– Over provision of current income tax in prior financial years	**(25,582)**	(16,449)
– Others	**(38,116)**	19,038
	57,413	71,178

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2019	**2018**
	$	**$**
Balance at beginning of financial year	**112,710**	54,610
Amount not recognised during the financial year	**26,708**	75,530
Utilised during the financial year	**(75,530)**	(17,365)
Currency translation adjustment	**(16)**	(65)
Balance at end of financial year	**63,872**	112,710

Unrecognised deferred tax assets are attributable to:–

	Group	
	2019	**2018**
	$	**$**
Unabsorbed capital allowances	**2,374**	75,530
Unutilised tax losses	**61,498**	37,180
	63,872	112,710

Included in unutilised tax losses are the following tax losses of Kori Construction (M) Sdn. Bhd. which are available for offset against future taxable income for a period of 7 years from the year incurred:

		Group	
		2019	**2018**
Year incurred	**Year of expiry**	**$**	**$**
2019	2026	**36,624**	37,180
2020	2027	**376**	–
		37,000	37,180

These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

	Group	
	2019	**2018**
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent	**$109,877**	$251,491
Weighted average number of ordinary shares outstanding for basic earnings per share	**99,200,000**	99,200,000
Basic and diluted earnings per share	**0.11 cents**	0.25 cents

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land $	Furniture and fittings $	Motor vehicles $	Office equipment $	Plant and machinery $	Office premises/ warehouse $	Building $	Steel beams and oil jacks $	Total $
Group									
Cost									
Balance at 1 January 2019	1,083,315	96,364	218,488	143,958	830,440	7,125	1,019,707	37,745,934	41,145,331
Adoption of SFRS(I) 16	–	–	50,160	–	–	714,544	–	–	764,704
Balance at 1 January 2019	1,083,315	96,364	268,648	143,958	830,440	721,669	1,019,707	37,745,934	41,910,035
Additions	–	1,284	–	2,275	–	–	–	2,929,795	2,933,354
Disposals	–	–	–	–	–	–	–	(1,895,731)	(1,895,731)
Currency translation adjustment	(1,971)	(6)	(27)	(48)	(4)	–	(1,855)	–	(3,911)
Balance at 31 December 2019	1,081,344	97,642	268,621	146,185	830,436	721,669	1,017,852	38,779,998	42,943,747
Accumulated depreciation									
Balance at 1 January 2019	133,658	57,510	174,365	96,527	520,239	1,778	–	7,279,089	8,263,166
Depreciation charged	22,793	8,685	69,392	7,714	103,400	263,636	–	1,426,633	1,902,253
Disposals	–	–	–	–	–	–	–	(357,685)	(357,685)
Currency translation adjustment	(250)	(5)	(27)	(48)	(3)	–	–	–	(333)
Balance at 31 December 2019	156,201	66,190	243,730	104,193	623,636	265,414	–	8,348,037	9,807,401
Carrying amount									
Balance at 31 December 2019	925,143	31,452	24,891	41,992	206,800	456,255	1,017,852	30,431,961	33,136,346

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land $	Furniture and fittings $	Motor vehicles $	Office equipment $	Plant and machinery $	Office premises/ warehouse $	Building $	Construction in-progress $	Steel beams and oil jacks $	Total $
Group										
Cost										
Balance at 1 January 2018	1,080,687	95,435	434,778	156,788	830,434	22,200	–	1,017,233	44,852,842	48,490,397
Additions	–	923	–	159	–	–	–	–	1,465,604	1,466,686
Disposals	–	–	(216,385)	(13,053)	–	(15,075)	–	–	(8,572,512)	(8,817,025)
Reclassifications	–	–	–	–	–	–	1,019,707	(1,019,707)	–	–
Currency translation adjustment	2,628	6	95	64	6	–	–	2,474	–	5,273
Balance at 31 December 2018	1,083,315	96,364	218,488	143,958	830,440	7,125	1,019,707	–	37,745,934	41,145,331
Accumulated depreciation										
Balance at 1 January 2018	110,561	48,850	349,924	100,891	416,834	8,082	–	–	8,098,990	9,134,132
Depreciation charged	23,140	8,656	40,730	7,382	103,400	356	–	–	1,346,272	1,529,936
Disposals	–	–	(216,385)	(11,803)	–	(6,660)	–	–	(2,123,862)	(2,358,710)
Currency translation adjustment	(43)	4	96	56	5	–	–	–	–	118
Balance at 31 December 2018	133,658	57,510	174,365	96,526	520,239	1,778	–	–	7,321,400	8,305,476
Carrying amount										
Balance at 31 December 2018	949,657	38,854	44,123	47,432	310,201	5,347	1,019,707	–	30,424,534	32,839,855

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group is expected to receive the approval of manufacturing license from Malaysia's government authorities in second quarter of financial year ending 31 December 2020. Accordingly, the Group has determined that building will only be capable of operating in the manner intended by the management upon obtaining the manufacturing license and depreciation will commence thereafter.

Right-of-use of assets under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed below and disclosures relating to lease arrangements are included under Note 16 to the financial statements.

Right-of-use assets classified within property, plant and equipment

	Leasehold land $	Office premises/ warehouse $	Machinery $	Motor vehicles $	Office equipment $	Total $
Group						
Cost						
Balance at 1 January 2019	**1,083,315**	**714,544**	**310,200**	**94,283**	**30,112**	**2,232,454**
Currency translation adjustment	**(1,971)**	**–**	**–**	**–**	**–**	**(1,971)**
Balance at 31 December 2019	**1,081,344**	**714,544**	**310,200**	**94,283**	**30,112**	**2,230,483**
Accumulated depreciation						
Balance at 1 January 2019	**133,658**	**–**	**–**	**–**	**–**	**133,658**
Depreciation charged	**22,793**	**263,280**	**103,400**	**69,392**	**3,885**	**462,750**
Currency translation adjustment	**(250)**	**–**	**–**	**–**	**–**	**(250)**
Balance at 31 December 2019	**156,201**	**263,280**	**103,400**	**69,392**	**3,885**	**596,158**
Carrying amount						
Balance at 31 December 2019	**925,143**	**451,264**	**206,800**	**24,891**	**26,227**	**1,634,325**

The Group leases office premises/warehouse, office equipment (i.e. copier machine), machinery (i.e. crawler crane) and motor vehicles with fixed payments over the lease terms.

Included in the above are machinery, motor vehicle and office equipment with carrying amounts of $206,800 (2018: $310,200), $3,395 (2018: $44,123) and $26,227 (2018: $30,122) which were acquired under hire purchase arrangements. The corresponding hire purchase obligations have been accounted for as lease liabilities/finance lease liabilities with carrying amounts of $108,836 (2018: $214,070), $3,400 (2018: $23,800) and $15,244 (2018: $23,559) as at 31 December 2019 respectively. These assets will be repossessed by the lessor (legal owner) in the event of default in repayment by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INVESTMENTS IN SUBSIDIARIES

	Company 2019 $	Company 2018 $
Unquoted equity shares, at cost	**27,069,780**	27,069,780

The details of the subsidiaries are as follows:

Name	Country of business/ incorporation	Principal activities	Proportion of ownership interest held 2019 %	2018 %
Kori Construction (S) Pte. Ltd.[1]	Singapore	Building construction and civil engineering work	**100**	100
Ming Shin Construction (S) Pte. Ltd.[1]	Singapore	Building construction and civil engineering work	**100**	100
Kori Construction (M) Sdn. Bhd.[2]	Malaysia	Contractors for construction works for all kind	**100**	100

Notes:

(1) Audited by BDO LLP, Singapore

(2) Audited by BDO PLT, Malaysia, a member firm of BDO International Limited

12. TRADE AND OTHER RECEIVABLES

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Trade receivables				
– Third parties	**1,892,800**	2,136,885	**–**	–
Loss allowance	**(866,414)**	(652,194)	**–**	–
	1,026,386	1,484,691	**–**	–
Unbilled receivables				
– Third parties	**5,160,847**	5,515,879	**–**	–
Retention receivables				
– Third parties	**3,162,877**	5,665,524	**–**	–
Loss allowance	**(625,666)**	(582,275)	**–**	–
	2,537,211	5,083,249	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**994,919**	819,740
– Third parties	**177,987**	347,099	**170,000**	170,000
Loss allowance	**(170,000)**	(167,082)	**(170,000)**	–
	7,987	180,017	**994,919**	989,740
Deposits	**261,209**	272,747	**–**	–
	8,993,640	12,536,583	**994,919**	989,740

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are unsecured, non-interest bearing and generally on 30 to 60 days credit terms.

Unbilled receivables are for rental of steel beams to customers to be billed and subject to immaterial credit loss.

Other receivables are unsecured and non-interest bearing and repayable on demand.

Retention receivables are due for settlement after more than 12 months. They have been classified as current assets because they are expected to be realised in the normal operating cycle of the Group.

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Movements in the loss allowance on trade, other and retention receivables are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Balance at beginning of financial year	**1,401,551**	557,000	**–**	–
Loss allowance during the financial year				
– reversal of lifetime expected credit loss, not credit impaired	**(41,529)**	(20,000)	**–**	–
– lifetime expected credit loss, credit impaired	**302,058**	1,223,551	**170,000**	–
	260,529	1,203,551	**170,000**	–
Receivables written off as uncollectible	**–**	(359,000)	**–**	–
Balance at end of financial year	**1,662,080**	1,401,551	**170,000**	–

In the previous financial year, trade receivables of $382,698 were written off for which loss allowance was not previously made and charged to profit or loss as there is no reasonable expectation of recovery because the Group failed to agree a recovery plan with the customers. These trade receivables are still subject to enforcement activities for collection by the Group.

The currency profiles of trade and other receivables as at the end of the reporting period are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore dollar	**8,978,371**	12,360,540	**958,880**	953,701
Ringgit Malaysia	**15,269**	176,043	**36,039**	36,039
	8,993,640	12,536,583	**994,919**	989,740

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2019	**2018**
	$	**$**
Contract assets		
Structural steel works	**15,629,176**	15,666,035
Tunneling works	**846,418**	–
	16,475,594	15,666,035
Preliminary costs capitalised	**718,908**	670,174
	17,194,502	16,336,209
Contract liabilities		
Structural steel works	**3,239,735**	–

Contract assets are subject to immaterial credit loss.

a) Significant changes in contract assets and contract liabilities

	Group			
	Contract assets		Contract liabilities	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
At 1 January	**16,336,209**	8,511,742	**–**	306,487
Transfer to trade receivables	**(2,456,022)**	(7,857,731)	**–**	–
Excess of revenue recognised over cash (or rights to cash)	**3,250,082**	15,278,420	**–**	–
Amount recognised as revenue	**–**	–	**–**	(370,659)
Cash received in advance of performance and not recognised as revenue	**–**	–	**3,239,735**	64,172
Preliminary costs capitalised	**653,750**	494,000	**–**	–
Amortisation for preliminary costs	**(589,517)**	(90,222)	**–**	–
At 31 December	**17,194,502**	16,336,209	**3,239,735**	–

Contract assets arises from structural steel works and tunnelling works mainly due to the Group's rights to consideration for work completed but not billed at the end of the reporting period. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities mainly relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for structural steel works. Contract liabilities are recognised as revenue as the Group fulfils its performance obligations under the contract. Contract liabilities generally would be utilised within 12 months.

The contract assets relating to preliminary costs capitalised is amortised over the contractual period of the contract, which generally ranged from 2 to 6 (2018: 2 to 6) years. This amortisation charged for the year had been included in "cost of sales" of the consolidated comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

b) Remaining performance obligations

Certain construction contracts have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with the performance.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	Group	
	2019	**2018**
	$	**$**
Structural steel works		
Within one financial year	**11,240,342**	5,397,391
After one financial year but within five financial years	**18,553,623**	319,508
	29,793,965	5,716,899

14. CASH AND BANK BALANCES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Cash and bank balances	**1,248,870**	1,365,242	**73,974**	12,945
Fixed deposit pledged	**2,045,833**	1,031,291	**–**	–
	3,294,703	2,396,533	**73,974**	12,945

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

	Group	
	2019	**2018**
	$	**$**
Cash and bank balances (as above)	**3,294,703**	2,396,533
Less: Fixed deposit pledged	**(2,045,833)**	(1,031,291)
Cash and cash equivalents per consolidated statement of cash flows	**1,248,870**	1,365,242

Fixed deposits mature on varying periods between 8 to 12 months (2018: 8 months) from the end of the financial year. The effective interest rate on the fixed deposits range from 1% to 1.32% (2018: 1.34%) per annum.

As at 31 December 2019, the fixed deposits of the Group amounting to $2,045,833 (2018: $1,031,291) were pledged to banks as security for banking facilities as disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. CASH AND BANK BALANCES (CONTINUED)

The currency profiles of cash and bank balances as at the end of the reporting period are as follows:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Singapore dollar	**3,263,897**	2,269,546	**73,974**	12,945
Ringgit Malaysia	**30,806**	126,987	**–**	–
	3,294,703	2,396,533	**73,974**	12,945

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade payables				
– Third parties	**1,885,279**	3,257,302	**–**	–
– Retention sums	**21,089**	21,128	**–**	–
	1,906,368	3,278,430	**–**	–
Other payables				
– Third parties	**289,030**	979,606	**29,948**	27,067
– Subsidiary	**–**	–	**4,785**	–
	289,030	979,606	**34,733**	27,067
Goods and services tax payables, net	**317,960**	357,483	**5,546**	6,215
Advance billings to customers	**707,608**	3,518,662	**–**	–
Accrued operating expenses	**769,959**	807,864	**17,600**	25,000
	3,990,925	8,942,045	**57,879**	58,282

Trade payables are unsecured, non-interest bearing and are generally on 30 to 90 days credit terms.

Advance billings to customers are for rental of steel beams in respect of future financial periods.

Non-trade payables to third parties and a subsidiary are unsecured, non-interest bearing and repayable on demand.

The currency profiles of trade and other payables as at the end of the reporting period are as follows:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Singapore dollar	**3,808,246**	8,465,633	**57,879**	58,282
Ringgit Malaysia	**182,679**	476,412	**–**	–
	3,990,925	8,942,045	**57,879**	58,282

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. LEASE LIABILITIES/FINANCE LEASE LIABILITIES

	Properties $	Machinery $	Motor vehicles $	Office equipment $	Total $
Group					
At 1 January 2019					
– Finance lease liabilities under SFRS(I) 1-17	–	**214,070**	**23,800**	**23,559**	**261,429**
– Adoption of SFRS(I) 16 (Note 2.1)	**714,542**	–	**50,162**	–	**764,704**
	714,542	**214,070**	**73,962**	**23,559**	**1,026,133**
Additions					
Interest expense (Note 6)	**7,457**	**5,622**	**3,687**	**1,123**	**17,889**
Lease payments					
– Principal portion	**(260,409)**	**(105,234)**	**(48,765)**	**(8,315)**	**(422,723)**
– Interest portion	**(7,457)**	**(5,622)**	**(3,687)**	**(1,123)**	**(17,889)**
At 31 December 2019	**454,133**	**108,836**	**25,197**	**15,244**	**603,410**

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019 **$**	**2018** **$**
Contractual undiscounted cash flows		
– Not later than one financial year	**408,341**	143,345
– Between one and five financial years	**208,387**	131,955
	616,728	275,300
Less: Future finance charges	**(13,318)**	(13,871)
Present value of finance lease liabilities	**603,410**	261,429
Presented in consolidated statement of financial position		
– Current	**398,041**	133,921
– Non-current	**205,369**	127,508
	603,410	261,429

As at 31 December 2019, the average incremental borrowing rate applied was 2.15%. As at 31 December 2018, the Group leased certain machinery, office equipment and motor vehicle under finance lease and the average discount rate implicit in finance lease was 3.88%.

The Group's lease liabilities of $127,481 (2018: $261,429) are secured by the leased assets (Note 10), which will be repossessed by the lessors (legal owners) in the event of default in repayment by the Group.

The currency profile of lease liabilities of the Group as at the end of the reporting period is Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. BANK BORROWINGS

	Group	
	2019	2018
	$	$
Bank borrowings	**3,820,149**	4,105,564

The Group has two types of borrowings:

(i) Trade facilities

The Group entered into trade facilities amounting to $6,000,000 on 8 August 2014 which can be drawn down to facilitate and finance a subsidiary's purchases and subcontractors' invoices. As at the end of the reporting period, the outstanding borrowings amounted to $2,712,149 (2018: $1,329,564). Fixed advance facility is repayable on demand to the bank and bear interest of 4.25% per annum which is the bank's prevailing prime rate. Bills receivable purchase is repayable on demand to the bank with maximum tenure up to 150 days inclusive of suppliers' credit and bear interest of 0.5% over the bank's prevailing prime rate of 4.25% per annum.

The weighted average effective interest rates for trade facilities is approximately 4.45% (2018: 4.41%) per annum.

The trade facilities are secured by a corporate guarantee from the Company and fixed deposit pledged with financial institution (Note 14).

(ii) Term loan

The Group entered into a banking facility amounting to $5,000,000 on 24 May 2017 which was drawn down by a subsidiary on 5 September 2017. As at the end of the reporting period, the outstanding borrowings amounted to $1,108,000 (2018: $2,776,000). The loan carries an interest at 2.5% (2018: 2.5%) per annum above the Singapore Interbank Offered Rate. The loan is supported by a corporate guarantee issued by the Company. The repayment is to be made via 36 monthly instalments comprising of monthly principal amount of $139,000 which commenced from 28 August 2017 to 28 August 2020.

The average effective interest rate for term loan is 4.33% (2018: 3.88%) per annum.

Management estimates that the carrying amounts of the Group's borrowings approximate their fair values as these borrowings are at floating interest rates and repriced regularly.

The currency profiles of bank borrowings as at the end of the reporting period is Singapore dollar.

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18. DEFERRED TAX LIABILITIES

	Group	
	2019	**2018**
	$	**$**
Deferred tax liabilities	**397,723**	317,429

Movements in deferred tax liabilities are as follows:

	Group	
	2019	**2018**
	$	**$**
Balance at beginning of financial year	**(317,429)**	(255,202)
Charge to profit or loss	**(80,575)**	(61,561)
Currency translation adjustment	**281**	(666)
Balance at end of financial year	**(397,723)**	(317,429)

Deferred tax liabilities are mainly attributable to temporary differences arising from accelerated tax depreciation.

19. SHARE CAPITAL

	Group and Company			
	2019	**2018**	**2019**	**2018**
	Number of ordinary shares		**$**	**$**
Issued and fully-paid	**99,200,000**	99,200,000	**32,290,650**	32,290,650

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

20. MERGER RESERVE

Merger reserve represents the difference between the consideration paid and the share capital of subsidiaries acquired under common control that are accounted for by applying the "pooling-of-interest" method.

21. FOREIGN CURRENCY TRANSLATION RESERVE/(ACCOUNT)

Foreign currency translation reserve/(account) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. ACCUMULATED LOSSES

	Company	
	2019	**2018**
	$	**$**
Accumulated losses	**(4,211,619)**	(4,282,219)

Movements of accumulated losses of the Company are as follows:

	Company	
	2019	**2018**
	$	**$**
Balance at beginning of financial year	**(4,282,219)**	28,778
Total comprehensive income for the financial year	**70,600**	(4,211,797)
Dividends (Note 23)	**–**	(99,200)
Balance at end of financial year	**(4,211,619)**	(4,282,219)

23. DIVIDENDS

	Group and Company	
	2019	**2018**
	$	**$**
First and final tax-exempt dividends paid of 0.1 cents per share in respect of financial year ended 31 December 2017	**–**	99,200

During the financial year, the Directors of the Company recommend a final tax-exempt dividend 0.05 (2018: 0.10) cents per share amounting to approximately $49,600 (2018: $99,200) to be paid. The dividends have not been recognised as a liability as at the end of the financial year as it was subject to approval by shareholders at the Annual General Meeting of the Company.

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 Operating lease commitments

The Group as a lessor

The Group has entered into operating leases on its steel beams and oil jacks. These non-cancellable leases have remaining lease terms of between one and five years.

At each reporting date, future minimum rentals receivable under non-cancellable operation leases at the end of the reporting period are as follows:

	Group	
	2019	**2018**
	$	**$**
Within one financial year	**15,300,614**	3,323,657
After one year but within five financial years	**25,070,035**	202,860
	40,370,649	3,526,517

NOTES TO THE **FINANCIAL STATEMENTS**

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24. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

24.1 Operating lease commitments (Continued)

The Group as a lessee

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of properties and motor vehicles are as follows:

	Group 2018 $
Within one financial year	1,172,220
After one year but within five financial years	429,262
	1,601,482

Operating lease commitments as at 31 December 2018 represent rents payable by the Group for properties and motor vehicles. These leases have varying terms, escalation clauses and renewal options.

24.2 Contingent liabilities

Corporate guarantees

As at 31 December 2019, the Company had given guarantees amounting to $3,820,149 (2018: $4,105,564) to certain banks in respect of banking facilities granted to a subsidiary. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

The Company has considered the fair values of potential liability arising from the corporate guarantees extended to the banks for the financing facilities granted to the subsidiary (“borrowing subsidiary”) is insignificant. The borrowing subsidiary is in a favourable net equity position and profitable, with no history of default in the repayment of such financing facilities.

NOTES TO THE FINANCIAL STATEMENTS

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25. SEGMENT INFORMATION

Management has determined the operating segments that are used to make strategic decisions.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore and Malaysia.

The Group has two reportable segments being structural steel works and tunneling works.

The structural steel segment provides services to design, purchase and fabricate reusable steel struts and steel beams for temporary strutting works in earth retaining or stabilising structures for excavation works and rental of steel beams and oil jacks.

The tunneling segment supplies skilled personnel with the required technical expertise to provide macro-tunneling works.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

NOTES TO THE **FINANCIAL STATEMENTS**

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25. SEGMENT INFORMATION (CONTINUED)

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses which are not directly attributable to a particular reportable segment above as they are not separately reported to the chief operating decision maker.

	Structural steel $	Tunneling $	Unallocated $	Elimination and adjustments $	Total $
2019					
Revenue	15,981,453	1,281,837	–	–	17,263,290
Cost of sales	(12,304,598)	(736,648)	–	2,104,593	(10,936,653)
Other non-cash items:					
Depreciation of property, plant and equipment	(1,416,280)	–	–	–	(1,416,280)
Gross profit	2,260,575	545,189	–	2,104,593	4,910,357
Other income	1,961,572	143,021	187,385	(2,104,593)	187,385
Interest income	–	–	14,541	–	14,541
Other non-cash items:					
Loss allowance on trade, other and retention receivables	(260,529)	–	–	–	(260,529)
Depreciation of property, plant and equipment	–	–	(485,973)	–	(485,973)
Loss on disposals of plant and equipment	(1,089,355)	–	–	–	(1,089,355)
Finance costs	–	–	(269,666)	–	(269,666)
Administrative expenses	–	–	(2,839,470)	–	(2,839,470)
(Loss)/Profit before income tax	2,872,263	688,210	(3,393,183)	–	167,290
Income tax expense	–	–	(57,413)	–	(57,413)
(Loss)/Profit for the financial year	2,872,263	688,210	(3,450,596)	–	109,877
Capital expenditure					
Additions to property, plant and equipment	2,929,795	–	3,559	–	2,933,354
Assets and liabilities					
Segment assets	56,060,442	846,418	6,390,180	–	63,297,040
Segment liabilities	8,741,066	96,235	3,217,061	–	12,054,362

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. SEGMENT INFORMATION (CONTINUED)

	Structural steel $	Tunneling $	Unallocated $	Elimination and adjustments $	Total $
2018					
Revenue	23,249,800	2,884,617	–	–	26,134,417
Cost of sales	(17,124,118)	(3,261,863)	–	2,947,591	(17,438,390)
Other non-cash items:					
Depreciation of property, plant and equipment	(1,160,199)	–	–	–	(1,160,199)
Gross profit	4,965,483	(377,246)	–	2,947,591	7,535,828
Other income	2,460,974	486,617	217,043	(2,947,591)	217,043
Interest income	–	–	8,778	–	8,778
Other non-cash items:					
Loss allowance on trade, other and retention receivables	(1,203,551)	–	–	–	(1,203,551)
Bad trade receivables written off	(382,698)	–	–	–	(382,698)
Depreciation of property, plant and equipment	–	–	(369,737)	–	(369,737)
Loss on disposals of plant and equipment	(2,890,508)	–	–	–	(2,890,508)
Finance costs	–	–	(281,517)	–	(281,517)
Administrative expenses	–	–	(2,310,969)	–	(2,310,969)
(Loss)/Profit before income tax	2,949,700	109,371	(2,736,402)	–	322,669
Income tax expense	–	–	(71,178)	–	(71,178)
(Loss)/Profit for the financial year	2,949,700	109,371	(2,807,580)	–	251,491
Capital expenditure					
Additions to property, plant and equipment	1,465,604	–	1,082	–	1,466,686
Assets and liabilities					
Segment assets	58,283,246	375,401	6,120,238	–	64,778,885
Segment liabilities	8,180,342	18,187	5,454,004	–	13,652,533

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's two business segments operate in two main geographical areas:

- Singapore – the operations are headquartered and operates in Singapore. The operations in this area are principally building constructions and civil engineering works and investment holding.
- Malaysia – the operations in this area are principally contracting for all kinds of construction works.

Revenue from external customers

	Singapore $	Malaysia $	Group $
2019			
Revenue from external customers	**17,263,290**	**–**	**17,263,290**
2018			
Revenue from external customers	26,134,417	–	26,134,417

Location of non-current assets

	Singapore $	Malaysia $	Group $
2019			
Non-current assets	**31,190,196**	**1,946,150**	**33,136,346**
2018			
Non-current assets	30,870,491	1,969,364	32,839,855

Non-current assets are property, plant and equipment which includes right-of-use assets as presented in the consolidated statement of financial position of the Group.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. SEGMENT INFORMATION (CONTINUED)

Major customers

The revenues from 4 customers (2018: 4 customers) of the Group's structural steel and tunneling segment amounted to $13,021,503 and $1,266,558 (2018: $16,373,826 and $2,543,778) respectively. The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	Group			
	Structural steel		Tunneling	
	2019	2018	2019	2018
	$	$	$	$
Customer A	–	3,048,658	–	–
Customer B	–	2,526,682	–	2,543,778
Customer C	–	7,991,082	–	–
Customer D	**6,132,105**	2,807,404	–	–
Customer E	**4,327,149**	–	–	–
Customer F	**1,868,374**	–	–	–
Customer G	**693,875**	–	**1,266,558**	–
	13,021,503	16,373,826	**1,266,558**	2,543,778

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group and the Company with their related parties during the financial year at rates and terms agreed between the parties:

	Company	
	2019	2018
	$	$
With subsidiaries		
Management and admin fees charged to a subsidiary	**446,491**	441,100
Dividend income from a subsidiary	**250,000**	–
Collection on behalf by a subsidiary	–	17,000
Repayment from a subsidiary	**506,500**	815,000
Expenses paid on behalf by a subsidiary	**50,816**	89,173

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Key management personnel are Directors of the Company and subsidiaries and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The remuneration of Directors of the Company during the financial year was as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Salaries and other short-term benefits (other than fees)	**601,416**	555,633	**–**	–
Employer's contribution to defined contribution plans	**62,637**	52,340	**–**	–
Directors' fees	**131,000**	131,000	**131,000**	131,000
Other benefits	**39,643**	39,480	**–**	–
	834,696	778,453	**131,000**	131,000

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's managements then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure these risks.

27.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group is mainly exposed to credit risk from credit sales. The Group and Company place their cash and cash equivalents with creditworthy institutions. The Group has adopted policies and procedures in extending credit terms to customers and in monitoring credit risk. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's and Company's total credit exposure.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.1 Credit risk (Continued)

Receivables are considered to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that receivables have occurred (i.e. significant financial difficulty of debtor, possible bankruptcy or liquidation of debtor, default of payments, etc.).

As the Group and the Company do not hold any collateral, 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 statement of financial position, except as follows:

	Company	
	2019	**2018**
	$	**$**
Corporate guarantees provided to banks for subsidiary's banking facilities utilised as at the end of financial year	**3,820,149**	4,105,564

For the corporate guarantee issued, the Company has assessed that the subsidiary have sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except as follows:

(a) At the end of the reporting period, the Group has outstanding trade receivables from 2 (2018: 3) customers which represent 79% (2018: 81%) of total trade receivables.

(b) At the end of the reporting period, the retention sum from 4 (2018: 3) represent 65% (2018: 60%) of total retention sum receivables.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.1 Credit risk (Continued)

At 31 December 2019, the lifetime expected loss provision for the Group's trade receivables and retention receivables are as follows:

	Current $	Past due less than 1 month $	Past due over 1 to 2 months $	Past due over 2 to 5 months $	Past due over 5 months $	Total $
Group						
Expected loss rate	3.8%	3.8%	0%	0%	3.8%	
Trade receivables						
– Third parties	522,672	642,386	–	–	727,742	1,892,800
Loss allowance						
– Non-credit impaired	12,251	15,056	–	–	17,057	44,364
– Credit impaired	–	–	–	–	822,050	822,050
	12,251	15,056	–	–	839,107	866,414
Expected loss rate	3.4%	0%	0%	0%	3.4%	
Retention receivables						
– Third parties	2,570,034	–	–	–	592,843	3,162,877
Loss allowance						
– Non-credit impaired	74,843	–	–	–	17,264	92,107
– Credit impaired	–	–	–	–	533,559	533,559
	74,843	–	–	–	550,823	625,666

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.1 Credit risk (Continued)

At 31 December 2018, the lifetime expected loss provision for the Group's trade receivables and retention receivables are as follows:

	Current $	Past due less than 1 month $	Past due over 1 to 2 months $	Past due over 2 to 5 months $	Past due over 5 months $	Total $
Group						
Expected loss rate	3.3%	3.3%	0%	0%	3.3%	
Trade receivables						
– Third parties	1,015,318	974,194	–	–	147,373	2,136,885
Loss allowance						
– Non-credit impaired	33,260	31,913	–	–	4,827	70,000
– Credit impaired	582,194	–	–	–	–	582,194
	615,454	31,913	–	–	4,827	652,194
Expected loss rate	2.1%	0%	0%	0%	0%	
Retention receivables						
– Third parties	5,665,524	–	–	–	–	5,665,524
Loss allowance						
– Non-credit impaired	108,000	–	–	–	–	108,000
– Credit impaired	474,275	–	–	–	–	474,275
	582,275	–	–	–	–	582,275

Trade receivables and retention receivables for tunneling works segment are subject to immaterial credit loss.

For amount due from subsidiaries (Note 12), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on whether there is any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by reviewing their financial performance and results. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries are subject to immaterial credit loss.

For other receivables, the Board of Directors adopts a policy of dealing with high credit quality counterparties. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at 31 December 2019, there is indication that credit risk of an other receivable amounting to $170,000 (2018: $167,082) has increased significantly, hence a lifetime loss allowance has been recognised.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.1 Credit risk (Continued)

Cash and bank balances

The cash and bank balances as at the end of the reporting period are held with the financial institutions with the following credit ratings:

	Group			Company	
	Rating	Bank balance $	Short-term deposits $	Rating	Bank balance $
2019					
International banks	AA/A	1,215,445	2,045,833	AA/A	73,974
International banks	BAA/BBB	33,425	–		–
	Note 14	1,248,870	2,045,833		73,974
2018					
International banks	AA/A	1,235,587	1,031,291	AA/A	12,945
International banks	BAA/BBB	129,655	–		–
		1,365,242	1,031,291		12,945

The credit rating above are derived from Moody's and Fitch's ratings. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any credit losses from non-performance by the counterparties.

27.2 Market risk

(i) Foreign exchange risk management

The Group mainly carries out its transactions in their entities' respective functional currencies. Since the financial assets and financial liabilities are denominated in the respective functional currencies, there is no exposure to foreign exchange risk. In addition, the Group is exposed to currency translation risk on the net assets in foreign operation. Currency exposure to the net asset of the Group's foreign operation has been monitored throughout the financial year and the impact to the Group's financial statements is insignificant.

The Company's exposure to foreign currency risk is insignificant as the business is operated in Singapore and transactions are mainly denominated in Singapore dollar, which is the functional currency of the Company.

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.2 Market risk (Continued)

(ii) Interest rate risk management

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 17 to the financial statements.

The Group's and the Company's financial performance are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group's borrowings at variable rates are denominated in Singapore dollar. If the Singapore dollar interest rates increase or decrease by 5% (2018: 5%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately $191,007 (2018: $205,278) as a result of higher or lower interest expense on borrowings.

27.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirement. At 31 December 2019, the Group has available undrawn committed borrowing facilities of approximately $7,087,000 (2018: $8,226,000) in respect of which all conditions precedent had been met.

Contractual maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to pay.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $	After one year but within five financial years $	Total $
Group			
2019			
Financial liabilities			
Non-interest bearing			
– Trade and other payables (excluding goods and services tax and advance billings to customers)	**2,965,357**	**–**	**2,965,357**
Interest bearing			
– Bank borrowings	**3,900,518**	**–**	**3,900,518**
– Lease liabilities	**408,341**	**208,387**	**616,728**
	7,274,216	**208,387**	**7,482,603**
2018			
Financial liabilities			
Non-interest bearing			
– Trade and other payables (excluding goods and services tax and advance billings to customers)	5,065,900	–	5,065,900
Interest bearing			
– Bank borrowings	4,350,780	–	4,350,780
– Finance lease liabilities	143,345	131,955	275,300
	9,560,025	131,955	9,691,980

	Within one financial year $	Total $
Company		
2019		
Financial liabilities		
Non-interest bearing		
– Trade and other payables (excluding goods and services tax)	**52,333**	**52,333**
Financial corporate guarantee	**3,820,149**	**3,820,149**
2018		
Financial liabilities		
Non-interest bearing		
– Trade and other payables (excluding goods and services tax)	52,067	52,067
Financial corporate guarantee	4,105,564	4,105,564

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

The Group's operations are financed mainly through equity, bank borrowings and lease arrangements. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

27.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern, to maintain an optimal capital structure so as to maximise shareholders' value and to ensure that all externally imposed capital requirements are complied with.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2018.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, lease liabilities, finance lease payables and bank borrowings less cash and bank balances. Equity attributable to owners of the parent consists of share capital, foreign currency translation reserve, merger reserve and retained earnings.

The Group is in compliance with all borrowings covenants, including debt service ratio and gross debts to earnings before interest, tax, depreciation and amortisation ratio imposed by the financial institutions for the financial year ended 31 December 2019. As at 31 December 2018, the Group has not been able to fulfil some of its borrowings covenants. Consequently, the entire balance of borrowings amounting to $2,776,000 were classified as current liabilities. In February 2019, management has obtained a one-off waiver of compliance with the affected ratios.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

27.4 Capital management policies and objectives (Continued)

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade and other payables	**3,990,925**	8,942,045	**57,879**	58,282
Lease liabilities/Finance lease liabilities	**603,410**	261,429	**–**	–
Bank borrowings	**3,820,149**	4,105,564	**–**	–
Less:				
Cash and bank balances	**(1,248,870)**	(1,365,242)	**(73,974)**	(12,945)
Fixed deposits pledged	**(2,045,833)**	(1,031,291)	**–**	–
Net debt/(cash)	**5,119,781**	10,912,505	**(16,095)**	45,337
Equity attributable to owners of the parent	**51,242,678**	51,126,352	**28,079,031**	28,008,431
Total capital	**56,362,459**	62,038,857	**28,062,936**	28,053,768
Gearing ratio (%)	**9**	18	**	*

* Less than 1%

** Not applicable

27.5 Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their respective fair values as at the end of the reporting period due to the relative short term maturity of these financial instruments.

27.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Financial assets, at amortised cost				
Trade and other receivables	**8,993,640**	12,536,583	**994,919**	989,740
Cash and bank balances	**1,248,870**	1,365,242	**73,974**	12,945
Fixed deposits pledged	**2,045,833**	1,031,291	**–**	–
	12,288,343	14,933,116	**1,068,893**	1,002,685
Financial liabilities, at amortised cost				
Trade and other payables (excluding goods and services tax and advance billings to customers)	**2,965,357**	5,065,900	**52,333**	52,067
Bank borrowings	**3,820,149**	4,105,564	**–**	–
Lease liabilities	**603,410**	261,429	**–**	–
	7,388,916	9,432,893	**52,333**	52,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. EVENTS AFTER THE REPORTING PERIOD

As announced by the Group on 8 April 2020, the Government of Singapore had on 3 April 2020 announced the implementation of a month-long "circuit breaker" campaign to curb further spread of COVID-19 ("Measures").Under the Measures, all workplaces except for those providing essential services and those able to operate remotely will be suspended from 7 April 2020 to 4 May 2020 in order to stem the spread of COVID-19.

In view that vendors providing essential services, their related supply chains and service providers are exempted from the suspension and that some of the Group's customers' may meet the criteria as essential services under the Construction, Facilities Management and Critical Public Infrastructure category, the Group has obtained approval from the relevant authorities for the exemption for suspension of business activities in order to continue the supply of goods and service to these customers. All other business operations of the Group in Singapore (i.e. support functions) will be closed during this period in compliance with the Measures.

In addition to the above, the Group expects pressure from the acute constraint of labour supply and increasing manpower costs in Singapore as well as the impact of COVID-19 on the Built Environmental Section, in particular, inadequate supply of construction materials and manpower shortage resulted from the Movement Control Order implemented by the Malaysian Government.

It is contemplated that the foregoing will negatively impact its cash flows, financial position and earnings per share for the financial year ending 31 December 2020. However, at this stage, the Group is unable to determine the extent of the impact of the Measures for the financial year ending 31 December 2020. The Group has taken steps to conserve the Group's cash flow and to manage the working capital during this period. The Group will also continue to monitor the guidelines issued by the regulatory authorities and to incorporate it into the Group's Business Continuity Plan to counter the impact of COVID-19.

STATISTICS OF **SHAREHOLDINGS**

AS AT 30 MARCH 2020

Issued and paid-up capital	:	S$33,669,650
Number of issued shares	:	99,200,000
Class of shares	:	Ordinary shares
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights	:	1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
1,00 – 1,000	8	6.45	3,900	0.00
1,001 – 10,000	30	24.19	203,400	0.21
10,001 – 1,000,000	72	58.07	8,175,300	8.24
1,000,001 and above	14	11.29	90,817,400	91.55
Total	**124**	**100.00**	**99,200,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2020

Name of Substantial Shareholders		Direct Interest	%	Deemed Interest	%
1	Hooi Yu Koh	18,892,200	19.04	14,924,000[(1)]	15.04
2	Keong Hong Holdings Limited	15,000,000	15.12	–	–
3	Foo Tiang Ann	18,000	0.02	9,961,300[(2)]	10.04
4	Kori Nobuaki	6,592,000	6.65	–	–

Notes:

(1) The deemed interest in 14,924,000 shares are held through BNP Paribas Nominees Singapore Pte. Ltd.

(2) The deemed interest in 9,961,300 shares are held as follows:– (i) 3,365,800 shares are through RHB Securities Singapore Pte Ltd; (ii) 3,205,800 shares are through Hong Leong Finance Nominees Pte Ltd; (iii) 1,503,700 shares are through CGS-CIMB Securities (Singapore) Pte Ltd; (iv) 959,500 shares are through KGI Securities (Singapore) Pte. Ltd.; and (v) 926,500 shares are through Maybank Kim Eng Securities Pte. Ltd.

SHARES HELD BY PUBLIC

Based on the information provided to the Company as at 30 March 2020, approximately 34.08% of the issued shares of the Company was held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules has been complied with.

STATISTICS OF **SHAREHOLDINGS**

AS AT 30 MARCH 2020

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	HOOI YU KOH	18,892,200	19.04
2	KEONG HONG HOLDINGS LIMITED	15,000,000	15.12
3	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	14,924,000	15.04
4	RHB SECURITIES SINGAPORE PTE LTD	7,105,200	7.16
5	HONG LEONG FINANCE NOMINEES PTE LTD	6,749,900	6.80
6	KORI NOBUAKI	6,592,000	6.65
7	KGI SECURITIES (SINGAPORE) PTE LTD	5,318,100	5.36
8	UOB KAY HIAN PTE LTD	3,832,800	3.86
9	MAYBANK KIM ENG SECURITIES PTE LTD	2,992,600	3.02
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,539,700	2.56
11	TAN TIN NAM	2,442,000	2.46
12	LAU ENG TIONG	1,843,900	1.86
13	SIA LING SING	1,472,000	1.48
14	DBS NOMINEES PTE LTD	1,113,000	1.12
15	OW YEOW BUNG	889,000	0.90
16	TAN LEE CHING (CHEN LIZHEN)	615,000	0.62
17	LIM VOON NNA @ LIM BOON NAA	520,000	0.52
18	TAN LEE WAH	350,000	0.35
19	TEOU KEM ENG @ TEOU KIM ENG	309,000	0.31
20	LEO TING PING RONALD	300,000	0.30
	Total:	**93,800,400**	**94.53**

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APPENDIX DATED 14 APRIL 2020

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

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

This Appendix is circulated to shareholders of Kori Holdings Limited (the "Company") together with the Company's annual report for the financial year ended 31 December 2019. Its purpose is to provide Shareholders with the relevant information relating to the Proposed Renewal of the Share Purchase Mandate to be tabled at the forthcoming Annual General Meeting of the Company to be held by 29 June 2020.

Capitalised terms appearing on this cover of the Appendix have the same meanings defined herein.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix and the Annual Report to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares represented by physical share certificate(s), you should immediately forward this Appendix and the Annual Report to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The notice of general meeting which sets out the ordinary resolution for the proposed renewal of share purchase mandate as contained in this Appendix will be despatched to shareholders in due course.

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

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

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

KORI HOLDINGS LIMITED

(Company Registration Number: 201212407R)

(Incorporated in the Republic of Singapore on 18 May 2012)

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

APPENDIX

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APPENDIX

DEFINITIONS

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

"**ACRA**" : The Accounting and Corporate Regulatory Authority of Singapore

"**Act**" : Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time

"**AGM**" : The annual general meeting of the Company to be held for FY2019 by 29 June 2020

"**Annual Report**" : The Company's annual report for the financial year ended 31 December 2019

"**Appendix**" : This appendix to Shareholders dated 14 April 2020

"**Audit Committee**" : The audit committee of the Company as at the date of this Appendix, comprising Mr. Kuan Cheng Tuck, Mr. Lim Yeok Hua and Mr. Nicholas Phillip Lazarus

"**Associate**" :

(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediately family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more

(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

"**Awards**" : Awards to subscribe for ordinary shares of the Company issued pursuant to the Kori Performance Share Plan

"**Board**" : The board of Directors of the Company as at the date of this Appendix

"**Catalist**" : Catalist of the SGX-ST, being the sponsor-supervised listing platform of the SGX-ST

"**Catalist Rules**" : The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time

"**CDP**" : The Central Depository (Pte) Limited

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"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or re-enacted from time to time
"**Company**"	:	Kori Holdings Limited
"**Constitution**"	:	The Constitution of the Company, as amended from time to time
"**Controlling Shareholder**"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company; or (b) in fact exercises control over the Company
"**Directors**"	:	The directors of the Company as at the date of this Appendix
"**EPS**"	:	Earnings per Share
"**FY**"	:	The financial year ended or ending 31 December, as the case may be
"**Group**"	:	The Company and its subsidiaries, collectively
"**Latest Practicable Date**"	:	1 April 2020, being the latest practicable date prior to the printing of this Appendix
"**Notice of AGM**"	:	The notice of the FY2019 AGM to be despatched to Shareholders at a later date
"**NTA**"	:	Net tangible assets
"**Options**"	:	Options to subscribe for ordinary shares of the Company issued pursuant to the Kori Employee Share Option Scheme
"**Proposed Renewal of Share Purchase Mandate**"	:	The proposed renewal of the Share Purchase Mandate
"**Relevant Period**"	:	The period commencing from the date on which the ordinary resolution relating to the renewal of the Share Purchase Mandate is passed at the AGM and expiring on the earliest of the date on which the next annual general meeting of the Company is held or is required by law to be held, the date on which the Share buy-backs are carried out to the full extent of the renewed Share Purchase Mandate, or the date the said mandate is revoked or varied by the Company in a general meeting
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
"**SFA**"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or re-enacted from time to time
"**SGX-ST**"	:	The Singapore Exchange Securities Trading Limited

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"**Shares**"	:	Ordinary shares in the share capital of the Company
"**Share Purchase Mandate**"	:	The proposed general and unconditional mandate given by Shareholders at the AGM to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire the issued Shares within the Relevant Period, in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Act and the Catalist Rules
"**Shareholders**"	:	The registered holders of Shares in the register of members of the Company, except where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context so admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
"**SIC**"	:	The Securities Industry Council of Singapore
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Sponsor**"	:	PrimePartners Corporate Finance Pte. Ltd.
"**Substantial Shareholder**"	:	A person who has an interest, directly or indirectly, in five per cent. (5%) or more of the total number of Shares
"**Take-over Code**"	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
"**Treasury Shares**"	:	Shares purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate and held by the Company in accordance with Section 76H of the Act

Currencies, Units and Others

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

The term "**subsidiary**" shall have the meaning ascribed to it in the Companies Act.

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

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules or any modification thereof and not otherwise defined

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in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or such modification thereof, as the case may be, unless otherwise provided.

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

Any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them. Where applicable, figures and percentages are rounded to the nearest two decimal places.

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

APPENDIX

LETTER TO SHAREHOLDERS

KORI HOLDINGS LIMITED

(Company Registration Number: 201212407R)
(Incorporated in the Republic of Singapore on 18 May 2012)

Board of Directors		**Registered Office**
Hooi Yu Koh	Executive Chairman and Chief Executive Officer	11 Sims Drive
Ng Wai Kit	Executive Director	#06-01 SCN Centre
Kuan Cheng Tuck	Lead Independent Director	Singapore 387385
Nicholas Philip Lazarus	Independent Director	
Lim Yeok Hua	Independent Director	

14 April 2020

To: The Shareholders of Kori Holdings Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 Annual General Meeting

This Appendix is circulated together with the Annual Report to provide Shareholders with information relating to the Proposed Renewal of Share Purchase Mandate and to seek their approval for the same as set out in the Notice of AGM, which will be despatched to Shareholders in due course.

The SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements made or opinions expressed or reports contained in this Appendix. The Sponsor has reviewed the Appendix in accordance with Rules 226(2)(b) and 753(2) of the Catalist Rules.

2 THE RENEWAL OF SHARE PURCHASE MANDATE

2.1 Background of the Proposed Renewal of Share Purchase Mandate

The Company's existing Share Purchase Mandate was first approved by Shareholders at the annual general meeting of the Company held on 25 April 2014 and renewed at each subsequent annual general meeting of the Company. The Share Purchase Mandate will, unless renewed again, expire on the date of the forthcoming AGM. Accordingly, the Directors are proposing to seek Shareholders' approval at the forthcoming AGM for the proposed renewal of the Share Purchase Mandate.

The Act allows a company incorporated in Singapore to purchase or otherwise acquire its issued shares, stocks and preference shares if the purchase or acquisition is permitted under the Constitution. Any purchase of Shares by the Company will have to be made in accordance with, and in the manner prescribed by the Act, the Constitution and the Catalist Rules and such other laws and regulations as may for the time being, be applicable.

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It is a requirement under the Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares should obtain the approval of its shareholders to do so at a general meeting. In this regard, approval is being sought from Shareholders at the AGM for the proposed renewal of the Share Purchase Mandate. An ordinary resolution will be proposed, pursuant to which authority will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares on the terms of the Share Purchase Mandate.

2.2 Rationale for the Proposed Renewal of the Share Purchase Mandate

The Share Purchase Mandate would give the Company the flexibility to undertake the purchase or acquisition of its Shares as and when appropriate to:

(a) manage the share capital structure of the Company, with a view to enhancing the EPS, NTA per Share and/or return on equity;

(b) manage surplus capital, such that surplus capital and funds which are in excess of the Company's requirements may be returned to Shareholders in an expedient and cost-efficient manner;

(c) Share buy-backs by the Company will help mitigate short term market volatility, offset the effects of short-term share price speculation and bolster shareholder confidence; and

(d) manage and minimise the dilution impact (if any) associated with any share-based incentive scheme as may be implemented by the Company from time to time by delivering existing Shares instead of issuing new Shares.

The Share Purchase Mandate will be exercised by the Directors in circumstances where it is considered to be in the best interests of the Company, after taking into account factors such as the amount of surplus cash available and working capital requirements of the Company, the prevailing market conditions, liquidity and orderly trading of the Shares. The Directors are committed to ensuring that any Share buy-backs by the Company will not have any material adverse impact on the float, liquidity and/or orderly trading of the Shares and/or the financial position of the Group.

2.3 Authority and Limits

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the AGM, are summarised below.

2.4 Maximum Number of Shares

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

The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Purchase Mandate during the Relevant Period, is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the AGM at which the Share Purchase Mandate is approved (unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Act approving the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be).

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For purposes of calculating the percentage of Shares referred to above, any of the Shares which are held as Treasury Shares will be disregarded. There are no Treasury Shares as at the Latest Practicable Date.

For illustrative purposes only, on the basis of 99,200,000 Shares in issue (excluding Treasury Shares) as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the AGM and that no Shares are allotted or issued pursuant to the exercise of Options or vesting of Awards, not more than 9,920,000 Shares representing 10% of the issued Shares (excluding Treasury Shares) as at the date of the AGM may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

2.4.1 Duration of Authority

Purchases or acquisitions of Shares may be made during the Relevant Period, at any time and from time to time, on and from the date of the AGM at which the Share Purchase Mandate is approved, up to:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase or otherwise acquire Shares may be renewed by the Shareholders in any general meeting of the Company. When seeking the approval of the Shareholders for the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Purchase Mandate made during the previous twelve (12) months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

2.4.2 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by the Company by way of:

(a) on-market purchases (the "**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's trading system, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases (the "**Off-Market Purchase**") effected pursuant to an equal access scheme as defined in Section 76C of the Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Catalist Rules, the Act and the Constitution, as they consider fit in the interests of the Company and/or Shareholders in connection with or in relation to any equal access scheme.

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An Off-Market Purchase must, however, satisfy all of the following conditions:

I. offers for the purchase or acquisition of issued Shares 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. differences in consideration attributable to the fact that the 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, pursuant to Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing 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 purchase or acquisition of Shares;

(d) the consequences, if any, of the proposed purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

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

(f) details of any purchase or acquisition of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchase or Off-Market Purchase pursuant to an equal access scheme), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions, where relevant, and the total consideration paid for the purchases or acquisitions; and

(g) whether the Shares purchased will be cancelled or kept as Treasury Shares.

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2.4.3 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) (the "related expenses") to be paid for a Share will be determined by the Directors.

However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares 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, 110% of the Average Closing Price,

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

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of the Shares were made, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Days and the day on which the purchases are made.

"**date of the making of the offer**" means the date on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4.4 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as Treasury Shares to the extent permitted under the Act. At the time of each purchase or acquisition of the 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 at that time and as the Directors deem fit in the interests of the Company at that time. The total number of 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 Act) will be automatically de-listed by the SGX-ST, and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

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2.5 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provision on Treasury Shares under the Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months or such further periods as ACRA 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 Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed. Also, a subdivision of any Treasury Shares into Treasury Shares of a larger amount, or a consolidation of any Treasury Shares into Treasury Shares of a smaller amount, is allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

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

(a) sell the Treasury Shares for cash;

(b) transfer the Treasury Shares for the purposes of or pursuant to an employee share scheme of the Company;

(c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the Treasury Shares; or

(e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister of Finance of Singapore.

The Company, upon undertaking any sale, transfer, cancellation and/or use of Treasury Shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer must make an immediate announcement thereof, stating the following:

(a) date of the sale, transfer, cancellation and/or use;

(b) purpose of such sale, transfer, cancellation and/or use;

(c) number of treasury shares sold, transferred, cancelled and/or used;

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(d) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(e) percentage of the number of treasury shares against the total number of shares outstanding before and after such sale, transfer, cancellation and/or use; and

(f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Reporting Requirements

2.6.1 ACRA

Within thirty (30) days of the passing of a Shareholders' ordinary resolution to approve the purchases or acquisitions of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of purchases or acquisitions including the date of the purchases or acquisitions, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled and the number of Shares held as Treasury Shares, the Company's issued share capital before and after the purchases or acquisitions of Shares, the amount of consideration paid by the Company for the purchases or acquisitions, whether the shares were purchased or acquired out of profits or the capital of the Company and such other information as required by the Act.

Within thirty (30) days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

2.6.2 Catalist Rules

Rule 871 of the Catalist Rules specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

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2.7 Source of Funds

The Company may only apply funds legally available for the purchase or acquisition of Shares in accordance with the Constitution and the applicable laws in Singapore. The Company may not purchase or acquire its Shares pursuant to the Share Purchase Mandate for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST. As stated in the Act, the Share buy-back may be made out of the Company's profits or capital so long as the Company is solvent (as defined in Section 76F(4) of the Act).

In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or the gearing of the Group.

2.8 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, the amount (if any) borrowed by the Group to fund the purchases or acquisitions, whether the Shares are purchased out of capital or profits of the Company and whether the Shares purchased or acquired are held in treasury or cancelled. It is therefore not possible to accurately calculate or quantify the impact at this point of time.

However, purely for illustrative purposes only, the financial effects on the Company and the Group based on the audited consolidated financial statements of the Company and the Group for FY2019 are set out below.

2.8.1 Purchase or Acquisition out of Capital or Profits

Under the Act, purchases or acquisitions of Shares 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 (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the profits (or retained earnings) of the Company and hence the amount available for the distribution of dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of dividends by the Company will not be reduced. The NTA of the Company and of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

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2.8.2 Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or otherwise acquires the maximum number of 9,920,000 Shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) in the case of Market Purchase of Shares approximately, S$2.91 million based on the Maximum Price of S$0.293 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding as well as on the Latest Practicable Date); and

(b) in the case of Off-Market Purchase of Shares approximately, S$3.05 million based on the Maximum Price of S$0.307 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding as well as on the Latest Practicable Date).

2.8.3 Whether the Shares are Cancelled or Held in Treasury

In the case where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:

(a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;

(b) reduce the amount of its share capital and profits (or retained earnings), and record a capital reserve representing an identical amount transferred or appropriated from retained earnings, where the Shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of its share capital and profits (or retained earnings) proportionately, and record a capital reserve (to the extent of the Shares that were purchased out of profits), where the Shares were purchased or acquired out of both the capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held in treasury, the total issued Shares of the Company will remain unchanged.

2.8.4 Illustrative Financial Effects

For illustrative purposes only, Table A below lists four (4) possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, based on the following assumptions:–

(a) the Company has 99,200,000 issued and paid-up Shares excluding Treasury Shares as at the Latest Practicable Date, and no additional Shares were issued after the Latest Practicable Date and that no Shares are allotted or issued pursuant to the exercise of Options, or vesting of Awards;

(b) the Company has as at 31 December 2019:

(i) issued share capital of approximately S$32,290,650;

(ii) cash and cash equivalents of approximately S$74,000;

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(c) cash of up to S$1.18 million had been disbursed from the Company's wholly-owned subsidiaries to the Company prior to the purchase or acquisition of Shares by the Company; and

(d) the consideration for the purchase or acquisition of the Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) is financed by internal sources of funds as follows,

(i) in the case of Market Purchase of Shares approximately, S$2.91 million via internal funds and/or external borrowings by the Company; and

(ii) in the case of Off-Market Purchase of Shares approximately, S$3.05 million via internal funds and/or external borrowings by the Company,

(e) transaction costs are disregarded.

and based on the audited financial statements of the Group for the FY2019, the effects of the purchase or acquisition of such Shares by the Company on the financial position of the Company and the Group are as follows:

Table A

Scenario of purchase or acquisition of Shares

The following four possible scenarios in Table A are purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, with the pro-forma financial effects shown in detail either (i) out of capital in Table B; or (ii) out of profits in Table C:

Share Purchase				Maximum Number of Shares to be Purchased	
Scenario	**Type**	**Whether held as Treasury Shares or Cancelled**	**Maximum Price per Share (S$)**	**Number of Shares**	**Equivalent Percentage of Issued Shares**
1(A)	Market	Held as Treasury Shares	0.293	9,920,000	10%
1(B)	Market	Cancelled	0.293	9,920,000	10%
1(C)	Off-Market	Held as Treasury Shares	0.307	9,920,000	10%
1(D)	Off-Market	Cancelled	0.307	9,920,000	10%

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Table B

Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of capital

	Group As at 31 December 2019 (Audited)	Pro-forma Financial Effects as at 31 December 2019 for Scenarios in Table A			
		1(A)	1(B)	1(C)	1(D)
Share Capital (S$'000)	32,291	32,291	29,384	32,291	29,246
Retained earnings (S$'000)	44,573	44,573	44,573	44,573	44,573
Merger reserve (S$'000)	(25,627)	(25,627)	(25,627)	(25,627)	(25,627)
Foreign currency translation reserve (S$'000)	6	6	6	6	6
Treasury Shares (S$'000)	–	(2,907)	–	(3,045)	–
Total Equity (S$'000)	51,243	48,336	48,336	48,198	48,198
Net Tangible Assets (***NTA***) – (S$'000)	51,243	48,336	48,336	48,198	48,198
Current Assets (S$'000)	30,161	28,912	28,912	28,912	28,912
Current Liabilities (S$'000)	11,451	13,109	13,109	13,247	13,247
Borrowings (S$'000)	4,424	6,082	6,082	6,220	6,220
Number of Shares[1] ('000)	99,200	89,280	89,280	89,280	89,280
Weighted average number of Shares[2] ('000)	99,200	89,280	89,280	89,280	89,280
Net profit for the financial year (S$'000)	110	110	110	110	110
Financial Ratios					
NTA per Share[3] (S$)	0.52	0.54	0.54	0.54	0.54
Current Ratio (times)	2.63	2.21	2.21	2.18	2.18
Gearing (times)	0.09	0.13	0.13	0.13	0.13
EPS[4] (S$)	0.11	0.12	0.12	0.12	0.12

Notes:–

1. Excludes shares that are held in treasury or cancelled as stipulated.
2. Assumes Share buy-back was conducted on 1 January 2019.
3. NTA per Share equals to NTA divided by the number of Shares outstanding as at 31 December 2019.
4. Earnings per Share ("**EPS**") is calculated based on net profit for the financial year divided by weighted average number of Shares.

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Table C

Pro-forma financial effects on the Group for scenarios of Share purchases or acquisitions by the Company out of profits

	Group As at 31 December 2019 (Audited)	Pro-forma Financial Effects as at 31 December 2019 for Scenarios in Table A			
		1(A)	1(B)	1(C)	1(D)
Share Capital (S$'000)	32,291	32,291	29,384	32,291	29,246
Retained earnings (S$'000)	44,573	41,666	41,666	41,528	41,528
Merger reserve (S$'000)	(25,627)	(25,627)	(25,627)	(25,627)	(25,627)
Capital reserve(5)	–	2,907	2,907	3,045	3,045
Foreign currency translation reserve (S$'000)	6	6	6	6	6
Treasury Shares (S$'000)	–	(2,907)	–	(3,045)	–
Total Equity (S$'000)	51,243	48,336	48,336	48,198	48,198
Net Tangible Assets (***NTA***) – (S$'000)	51,243	48,336	48,336	48,198	48,198
Current Assets (S$'000)	30,161	28,912	28,912	28,912	28,912
Current Liabilities (S$'000)	11,451	13,109	13,109	13,247	13,247
Borrowings (S$'000)	4,424	6,082	6,082	6,220	6,220
Number of Shares(1) ('000)	99,200	89,280	89,280	89,280	89,280
Weighted average number of Shares(2) ('000)	99,200	89,280	89,280	89,280	89,280
Net profit for the financial year (S$'000)	110	110	110	110	110
Financial Ratios					
NTA per Share(3) (S$)	0.52	0.54	0.54	0.54	0.54
Current Ratio (times)	2.63	2.21	2.21	2.18	2.18
Gearing (times)	0.09	0.13	0.13	0.13	0.13
EPS(4) (S$)	0.11	0.12	0.12	0.12	0.12

Notes:–

1. Excludes shares that are held in treasury or cancelled as stipulated.
2. Assumes Share buy-back was conducted on 1 January 2019.
3. NTA per Share equals to NTA divided by the number of Shares outstanding as at 31 December 2019.
4. Earnings per Share ("**EPS**") is calculated based on net profit for the financial year divided by weighted average number of Shares.
5. Capital reserve represents the amount transferred or appropriated from retained earnings to reflect that the Share purchases or acquisitions are out of profit.

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The actual impact will depend on number of and price of the Shares brought back. As stated, the Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase of Shares will only be effected after assessing the relative impact of a share buy-back taking into consideration both financial factors (such as cash surplus, debt position and working capital requirements) and non-financial factors (such as share market conditions and performance of Shares).

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical audited numbers as at 31 December 2019, save for the number of Shares, which is based on the number of Shares as at the Latest Practicable Date, and is not necessarily representative of future financial performance and position of the Group.

The financial effects set out above are for illustrative purposes only. Although the Share Purchase Mandate would authorise the Company to purchase or otherwise acquire up to 10% of the issued Shares, the Company may not necessarily purchase or otherwise acquire or be able to purchase or otherwise acquire any or all of the 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased and/or hold all or part of the Shares repurchased as Treasury Shares at its discretion.

2.9 Appendix 2 of the Take-over Code

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out in Sections 2.10 to 2.14 of this Appendix.

2.10 Obligation to make a Take-over Offer

Rule 14 of the Take-over Code requires, *inter alia*, that except with the consent of the SIC, where:

(a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of 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 of the company which carries votes and in which such person, or persons acting in concert with him, holds shares. In addition to such person, each of the principal members of the group of 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.

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2.11 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, *inter alia*, will be presumed to be acting in concert under the Take-over Code, namely:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

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

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

(d) a person with any investment company, unit trust or other fund in respect of the investment account which 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, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and 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 them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

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

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

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

(a) the voting rights of such Directors and persons acting in concert with them would increase to 30% or more; or

(b) in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors 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:

(a) the voting rights of such Shareholder would increase to 30% or more; or

(b) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than one (1)% in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult their professional advisers and/or SIC and/or other relevant authorities at the earliest opportunity.

2.13 Application of the Take-over Code

As at the Latest Practicable Date, the details of the shareholdings of the Substantial Shareholders and Directors of the Company are set out in Section 5 of the Appendix.

2.13.1 <u>Mr Hooi Yu Koh and parties acting in concert with him</u>

As at the Latest Practicable Date, Mr Hooi Yu Koh, the Executive Chairman and Chief Executive Officer of the Company, holds 33,816,200 Shares in the Company representing 34.09% of the total number of issued Shares (excluding Treasury Shares) of the Company.

In the event that the Share Purchase Mandate is exercised to its maximum 10%, the interest of Mr Hooi Yu Koh in the Company could increase by more than 1% in any period of six (6) months. Accordingly, Mr Hooi Yu Koh and parties acting in concert with him will be required to make a general offer under Rule 14 of the Take-over Code.

As at the Latest Practicable Date, there are no parties acting in concert with Mr Hooi Yu Koh.

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Conditions for exemption from having to make a general offer under Rule 14 of the Take-over Code

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Mr Hooi Yu Koh and parties acting in concert with him (if any) (the "**Relevant Parties**") will be exempted from the requirement to make a general offer under Rule 14 of the Take-over Code if their respective shareholding in the Company increases by more than 1% in any six (6) months as a result of any Share buy-back carried out by the Company pursuant to the Share Purchase Mandate, subject to the following conditions:

(a) the circular to Shareholders seeking their approval for the Share Purchase Mandate will contain:

  (i) advice to the effect that by voting in favour of the resolution to approve the Share Purchase Mandate, Shareholders are waiving their rights to a general offer at the required price from the Relevant Parties; and

  (ii) the names and voting rights of the Relevant Parties as at the date of the resolution and after the Company exercises the power under the Share Purchase Mandate in full and purchases 10% of the issued Shares;

(b) the resolution to authorise the Share Purchase Mandate is approved by a majority of Shareholders who are present and voting at the AGM on a poll who could not become obliged to make an offer as a result of the Share buy-back by the Company pursuant to the Share Purchase Mandate;

(c) the Relevant Parties will abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the Share Purchase Mandate;

(d) within seven (7) days after the passing of the resolution to approve the Share Purchase Mandate, Mr Hooi Yu Koh submits to the SIC a duly signed form as prescribed by the SIC;

(e) the Relevant Parties have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposal for the renewal of the Share Purchase Mandate is imminent and the earlier of:

  (i) the date on which the authority of the Share Purchase Mandate expires; and

  (ii) the date on which the Company announces that it has brought back such number of Shares as authorised by the Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,

  if any such acquisitions, taken together with the Share buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

As such, if the aggregate voting rights held by the Relevant Parties increase by more than 1% solely as a result of the Company's buy-back of Shares under the Share Purchase Mandate, and none of them has acquired any Shares during the relevant six (6) month period, then the Relevant Parties would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

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If the Company ceases to buy-back Shares pursuant to the Share Purchase Mandate and the increase in the aggregate voting rights held by the Relevant Parties as a result of the relevant buy-back of Shares at such time is less than one (1) % in any six (6) month period, the Relevant Parties may acquire further voting rights in the Company. However, any increase in their percentage voting rights as a result of the buy-back of Shares pursuant to the Share Purchase Mandate will be taken into account together with any voting rights acquired by the Relevant Parties (by whatever means) in determining whether they have increased their aggregate voting rights by more than one (1) % in any six (6) month period.

2.13.2 Form 2 submission to the SIC

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption (please refer to paragraph (d) in Section 2.13.2 in this Appendix) from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the buy-back of shares by a listed company under its share purchase mandate. As at the Latest Practicable Date, Mr Hooi Yu Koh has informed the Company that he will be submitting the Form 2 to the SIC within seven (7) days after the passing of the resolution relating to the renewal of the Share Purchase Mandate.

2.14 Advice to Shareholders

Shareholders should note that by voting for the renewal of the Share Purchase Mandate, they are waiving their rights to a take-over offer at the required price from Mr Hooi Yu Koh and parties acting in concert with him (if any) in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by the SIC, would have to be made in cash or be accompanied by a cash alternative at the required price.

Save as disclosed, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Appendix 2 of the Take-over Code requires that the resolution to authorise the Share Purchase Mandate to be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer under the Take-over Code as a result of the Share buy-back. Accordingly, the said resolution is proposed to be taken on a poll and Mr Hooi Yu Koh shall abstain from voting on such resolution.

2.15 Catalist Rules

2.15.1 Dealing in Securities

While the Catalist Rules does not expressly prohibit purchase or acquisition of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such information has been publicly announced. Rule 1204(19) of the Catalist Rules provides, *inter alia*, that a listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two (2) weeks before the announcement of the company's financial statements for each of the first three (3) quarters of its financial year, and one (1) month before the announcement of the company's full year financial statements (if required to announce quarterly financial statements), or one (1) month before the announcement of the company's half year and full year financial statements (if not required to announce quarterly financial statements), as the case may be, and ending on the date of the announcement of the relevant financial statements.

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The Company has adopted and implemented the best practices on dealings in securities in accordance with Rule 1204(19) of the Catalist Rules and the Directors and employees of the Group are not allowed to deal in the Company's shares during the period commencing one (1) month before the announcement of the Company's half year and full year results and ending on the date of the announcement of the relevant results. Pursuant to such best practices, the Company will also not purchase any Shares during such periods.

2.15.2 Public Float

The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of its Shares are in the hands of the public. The "**public**", as defined under the Catalist Rules, are persons other than (i) the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, and (ii) the Associates of such persons in (i).

As at the Latest Practicable Date, approximately 33,802,500 Shares, representing approximately 34.08% of the issued Shares, are in the hands of the public. Assuming that the Company purchases or acquires its Shares through Market Purchase up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 23,882,500 Shares, representing 26.75% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect the orderly trading of Shares.

In undertaking any purchases or acquisitions of Shares through Market Purchase, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.15.3 Maximum Price

Under the Catalist Rules, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average of the closing market prices of the Shares over the last 5 market days, on which transactions in the Share were recorded, before the day on which the purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.4.3 of this Appendix, conforms to this restriction.

2.16 Previous Share Buybacks

The Company has not purchased or acquired any Shares during the twelve (12) months immediately preceding the Latest Practicable Date.

2.17 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications arising from the purchase or acquisition of Shares by the Company, or who may be subject to tax in a jurisdiction, should consult their own professional advisers.

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2.18 Interested Persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company, Controlling Shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

3 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the issued share capital of the Company as at the Latest Practicable Date are set out below:

On the assumption that their voting rights will not change between the Latest Practicable Date and the date of the AGM, the interests of the Directors in Shares and interests of the Substantial Shareholders in Shares before and after the purchase of Shares pursuant to the Share Purchase Mandate.

	Before Share Purchase (as at the Latest Practicable Date)				After Share Purchase
	(Number of Shares)				
Name	**Direct Interest**	**Deemed Interest**	**Total Interest**	**(%)[(1)]**	**(%)[(2)]**
Directors					
Hooi Yu Koh	18,892,200	14,924,000[(3)]	33,816,200	34.09%	37.88%
Ng Wai Kit	10,000	–	10,000	0.01%	0.01%
Kuan Cheng Tuck	–	–	–	–	–
Lim Yeok Hua	–	–	–	–	–
Nicholas Philip Lazarus	–	–	–	–	–
Substantial Shareholders (other than Directors)					
Keong Hong Holdings Limited	15,000,000	–	15,000,000	15.12%	16.80%
Foo Tiang Ann	18,000	9,961,300[(4)]	9,979,300	10.06%	11.18%
Kori Nobuaki	6,592,000	–	6,592,000	6.65%	7.38%

Notes:

(1) Based on 99,200,000 Shares (excluding treasury shares) as at the Latest Practicable Date.

(2) Based on 89,280,000 (excluding treasury shares), assuming (a) the Company purchases the maximum amount of 10% of the total number of issued Shares (excluding Treasury Shares) and (b) there is no change in the number of Shares held by the Directors and the Substantial Shareholders or which they are deemed interested in.

(3) The deemed interest in 14,924,000 shares are held through BNP Paribas Nominees Singapore Pte. Ltd.

(4) The deemed interest in 9,961,300 shares are held as follows:– (i) 3,365,800 shares are through RHB Securities Singapore Pte Ltd; (ii) 3,205,800 shares are through Hong Leong Finance Nominees Pte Ltd; (iii) 1,503,700 shares are through CGS-CIMB Securities (Singapore) Pte Ltd; (iv) 959,500 shares are through KGI Securities (Singapore) Pte. Ltd.; and (v) 926,500 shares are through Maybank Kim Eng Securities Pte. Ltd.

None of the Directors or Substantial Shareholders (other than in his/her capacity as a Director or Shareholder), as well as their respective associates, has any interest, direct or indirect, in the Proposed Renewal of Share Purchase Mandate.

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4 DIRECTORS' RECOMMENDATION

The Directors, save for Mr Hooi Yu Koh who has abstained from making any recommendation to Shareholders pursuant to the conditions for exemption under Appendix 2 of the Take-over Code (as set out in paragraph (c) in Section 2.13.2 of the Appendix), having carefully considered the terms and rationale of the Proposed Renewal of the Share Purchase Mandate, are of the opinion that the Proposed Renewal of the Share Purchase Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of ordinary resolution in respect of the Proposed Renewal of the Share Purchase Mandate to be proposed at the AGM.

5 ANNUAL GENERAL MEETING

The AGM will be held by 29 June 2020 for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolution in respect of the Proposed Renewal of Share Purchase Mandate, which will also be set out in the Notice of AGM which will be despatched to Shareholders in due course.

6 ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote at the AGM on their behalf should complete, sign and return the proxy form which will be despatched to Shareholders in due course in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 11 Sims Drive, #06-01 SCN Centre, Singapore 387385 not later than 48 hours before the time fixed for the AGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the AGM.

7 DIRECTORS' RESPONSIBILITY STATEMENT

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

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

8 ABSENTION FROM VOTING

The Relevant Parties will abstain from voting at the AGM in respect of the resolution relating to the Proposed Renewal of the Share Purchase Mandate pursuant to the conditions under Appendix 2 of the Take-over Code as set out in paragraph (c) of Section 2.13.2 of the Appendix. Furthermore, such persons shall not act as proxies in relation to such resolution unless specific voting instructions have been given.

APPENDIX

9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 11 Sims Drive, #06-01 SCN Centre, Singapore 387385 during normal business hours from the date of this Appendix up to and including the date of the AGM:

(a) the Constitution of the Company; and

(b) the annual report of the Company for the financial year ended 31 December 2019.

Yours faithfully
For and on behalf of the Board of Directors of
KOR HOLDINGS LIMITED

Hooi Yu Koh
Executive Chairman and Chief Executive Officer
Singapore

KORI HOLDINGS LIMITED

(Company Registration No.: 201212407R)
(Incorporated in the Republic of Singapore on 18 May 2012)