Kori Holdings Limited

# BUILDING ON OUR STRENGTHS

2014
ANNUAL REPORT

# BUILDING ON OUR STRENGTHS

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

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.


# 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., as well as its 51% owned associated company, Fuchiang Construction Pte. Ltd. (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

The outlook for the Singapore construction industry for the next 12 months looks positive as the Building and Construction Authority projected S$29 billion to S$36 billion of construction contracts for the built environment sector in 2015. Major public sector projects likely to be awarded in year 2015 include projects for the Land Transport Authority's Thomson-East Coast MRT Line.

## DEAR SHAREHOLDERS

The construction sector suffered an industry-wide slowdown in the past year. As a result, the Group's performance for the financial year ended 31 December 2014 ("FY2014") was similarly muted. Despite this industry-wide inertia in FY2014, we have not been sitting still. We believe in the importance of building a strong foundation for the future during this period. This way, we will be ready to reap the fruits of our efforts when opportunities come our way.

Major public sector projects such as the construction of the Thomson Line MRT will be awarded from the end of 2014 and during 2015. For 2014, we decided not to tender for the smaller contracts to conserve manpower and resources to handle the bigger projects which were awarded in late FY2014. For this reason, our turnover and profitability for FY2014 had been affected.

We achieved total revenue of S$31.2 million in FY2014, a decrease of approximately S$36.5 million or 53.9% from S$67.7 million in the financial year ended 31 December 2013 ("FY2013"). Revenue from the structural steelworks services segment accounted for approximately 78.5% of our Group's total revenue.

The decrease in revenue from our structural steelworks services segment by approximately 60.2% from S$61.5 million in FY2013 to S$24.5 million in FY2014 was due mainly to a substantial amount of work which was done for existing projects in FY2013 as compared to FY2014, coupled with lower revenue recognized from a few newly awarded projects of smaller contract sum in FY2014. In addition, a few major contracts which were awarded in late FY2014 would only commence work in the early part of 2015.

Revenue from the tunneling services segment increased from S$6.2 million in FY2013 to S$6.7 million in FY2014 mainly due to the increase in work done for the Rochor Station & Little India Station Project, Jalan Besar Station Project and a newly commenced undertaking, namely the Transmission Cable Tunnel Project. The increase in revenue was partially offset by a decrease in revenue contributed from NEWater Infrastructure Plan Extension Project and Bedok Town Park Station Project which were completed in August 2013 and December 2014 respectively.

CHAIRMAN'S
# STATEMENT

Our Group's gross profit decreased by approximately S$7.8 million or 67.4% from S$11.6 million in FY2013 to S$3.8 million in FY2014. Our gross profit margin decreased from 17.1% in FY2013 to 12.1% in FY2014. For the structural steelworks segment, the lower gross profit margin was due to higher usage of new materials which resulted in increased material costs. For the tunneling services segment, the higher gross profit margin was due to the lower than expected remuneration expenses for the tunneling crew.

## GROWTH STRATEGIES

Despite a decidedly slower 2014, the Group has been actively pitching for new projects on the upcoming Thomson Line MRT. We were awarded a contract by Shanghai Tunnel Engineering Co. Ltd. amounting to S$18.5 million for the strutting and decking works between Woodlands Station and Woodlands Avenue 12, including crossover tunnels and reception tunnels to Mandai Depot for the Thomson Line MRT. This project has started in the fourth quarter of 2014 and is scheduled to be completed in 24 months.

We were also awarded two contracts amounting to an aggregate of S$52.9 million by (i) Taisei Corporation for the supply, fabrication, lease and removal of temporary walers, struts including lifelines, utilities supports, kingpost and other ancillary works at Marina Bay Station and Tunnels; and (ii) by Daewoo Engineering & Construction Co., Ltd. for the supply, fabrication, installation and dismantling of strutting and decking works at Stevens Station and Tunnels, both of which lie on the upcoming Thomson Line MRT. The two projects are expected to start in the first quarter of 2015 and are scheduled to be completed in 24 months.

The total aggregated contract sums amount to S$71.4 million, and will stand us in good stead for the coming years through to the first quarter of 2017.

Furthermore, we hope to accelerate our expansion plans and increase our revenue base with a fuller range of construction services following the acquisition of 51% of the issued and paid-up share capital of Fuchiang Construction Pte. Ltd. ("Fuchiang"). The synergies between the Group as a structural steelworks services provider and Fuchiang, which is in the business of piling works and steelworks construction, are expected to enhance long-term shareholder value and provide the Group with opportunities to grow in other related activities.

## LOOKING AHEAD

The outlook for the Singapore construction industry for the next 12 months looks positive as the Building and Construction Authority projected S$29 billion to S$36 billion of construction contracts for the built environment sector in 2015. Major public sector projects likely to be awarded in year 2015 include projects for the Land Transport Authority's Thomson-East Coast MRT Line.

Our established track record and strong technical expertise put us in a favourable position to benefit from the anticipated public sector projects likely to be awarded this year.

On the other hand, we expect pressure from the acute constraint of labour supply and increasing manpower cost in Singapore. We intend to partially address these by freeing up some manpower from our Singapore yard through the relocation of a portion of the Singapore yard activities to our new storage yard in Malaysia in 2015.

## REWARDING OUR SHAREHOLDERS

The Directors have recommended a first and final dividend of 0.5 Singapore cents per ordinary share for 99,200,000 shares of the Company, which, if approved at the forthcoming annual general meeting, will be paid to shareholders on 25 May 2015.

## APPRECIATION

Succession planning is important in any organisation. I have reached the age where it is time to pass the baton to my younger colleagues and/or other suitable candidates. As such, the Company will be on the look-out to bring onboard potential candidates who have the capability and the dynamism to bring the Group to even greater heights.

On behalf of the Board, I would like to extend my appreciation and gratitude to all staff, shareholders, 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.

**KORI NOBUAKI**
Chairman and Executive Director

# FINANCIAL AND OPERATIONS REVIEW

The decrease in revenue from the Group's structural steelworks services segment by approximately 60.2% from S$61.5 million in FY2013 to S$24.5 million in FY2014 was mainly due to a substantial amount of work which was done for existing projects in FY2013 as compared to FY2014. Lower revenue was also recognised from a few newly awarded projects of smaller contract sum in FY2014. In addition, a few major contracts which were awarded in late FY2014 would only commence work in the early part of 2015.

The Group's total revenue for the financial year ended 31 December 2014 ("FY2014") was S$31.2 million, a decrease of approximately S$36.5 million or 53.9% from S$67.7 million for the financial year ended 31 December 2013 ("FY2013"). Revenue derived from the structural steelworks services segment accounted for approximately 78.5% of the Group's total revenue.

The decrease in revenue from the Group's structural steelworks services segment by approximately 60.2% from S$61.5 million in FY2013 to S$24.5 million in FY2014 was mainly due to a substantial amount of work which was done for existing projects in FY2013 as compared to FY2014. Lower revenue was also recognised from a few newly awarded projects of smaller contract sum in FY2014. In addition, a few major contracts which were awarded in late FY2014 would only commence work in the early part of 2015.

Revenue from the tunnelling services segment increased from S$6.2 million in FY2013 to S$6.7 million in FY2014 mainly due to the increase in work done for the Rochor Station and Little India Station Project, Jalan Besar Station Project and a newly commenced project, namely, Transmission Cable Tunnel Project. The increase in revenue was partially offset by a decrease in revenue contributed from NEWater Infrastructure Plan Extension Project and Bedok Town Park Station Project which were completed in August 2013 and December 2014 respectively.

Cost of works decreased by approximately S$28.7 million or 51.2% from S$56.2 million in FY2013 to S$27.4 million in FY2014. This was primarily attributable to the decrease in cost of works for the structural steelworks services segment of approximately S$28.7 million.

Cost of works for the structural steelworks services segment decreased by 56.1% from approximately S$51.1 million in FY2013 to S$22.4 million in FY2014 mainly due to a decrease in material cost of S$17.3 million, subcontractors' charges of S$5.9 million, worksite expenses of S$4.0 million and rental expenses of S$0.8 million. Less materials, subcontracting works and worksite expenses were recorded due to the decrease in business activities in FY2014 as compared to FY2013.

Cost of works for the tunnelling services segment maintained at approximately S$5.0 million in FY2014 and FY2013.

The Group's gross profit decreased by approximately S$7.8 million or 67.4% from S$11.6 million in FY2013 to S$3.8 million in FY2014. The Group's gross profit margin decreased from 17.1% in FY2013 to 12.1% in FY2014. For the structural steelworks segment, the lower gross profit margin was due to higher usage of new materials which resulted in increased material costs. For the tunnelling services segment, the higher gross profit margin was due to the lower than projected remuneration expenses for the tunnelling crew.

Other losses increased by S$0.3 million from S$0.2 million in FY2013 to S$0.5 million in FY2014. This was primarily due to losses of S$0.5 million arising from the sale of scrap materials at below cost, offset by a decrease in net foreign currency loss of S$0.2 million and an increase in government grants of approximately S$0.05 million.

Administrative expenses decreased by approximately S$0.1 million or 5.6% from S$2.4 million in FY2013 to S$2.3 million in FY2014. This was the result of a decrease in professional fees of S$0.7 million and depreciation expenses on plant, property and equipment of S$0.03 million.

Interest expenses increased by approximately S$0.2 million or 178.6% from S$0.1 million in FY2013 to S$0.3 million in FY2014 which was attributable to interest expenses for

# FINANCIAL AND OPERATIONS REVIEW

the convertible bond issued to Keong Hong Holdings Limited and increase in banking facilities in FY2014.

The acquisition of a 51% interest in Fuchiang Construction Pte. Ltd. ("Fuchiang") was completed in July 2014 and the Group recorded its share of profit amounting to S$0.7 million in FY2014. Synergies were created as Fuchiang had used some of the Group's used materials for its private sector projects, which enabled it to lower its material costs.

The Group recorded a profit before tax of S$1.5 million in FY2014, a decrease of S$7.4 million as compared to that in FY2013 owing to the factors stated above.

## REVIEW OF THE FINANCIAL POSITION OF THE GROUP

As at 31 December 2014, the Group's current assets of approximately S$61.6 million accounted for approximately 92.8% of the Group's total assets.

Trade and other receivables of approximately S$49.4 million accounted for 80.2% of the Group's total current assets. Trade and other receivables comprised mainly trade receivables of S$5.4 million, construction contracts due from customers of S$35.2 million, loan to Fuchiang of S$1.1 million, amount due from Fuchiang of S$0.9 million and retention receivables of S$6.2 million. Construction contracts due from customers decreased by S$4.0 million mainly due to progress billings on work done billed to customers as at 31 December 2014.

Inventories increased by S$8.1 million to approximately S$9.5 million as at 31 December 2014, which was due mainly to buy back of materials from projects namely, Bedok Town Park Station Project, Ubi Station Project and Bedok Reservoir Station Project, to stockyard for use in future projects.

The Group's non-current assets increased by approximately S$3.3 million to S$4.8 million as at 31 December 2014 as compared to S$1.5 million as at 31 December 2013. Non-current assets consisted of property, plant and equipment of S$1.6 million and an investment in Fuchiang of S$3.2 million.

As at 31 December 2014, the Group's current liabilities of approximately S$16.6 million accounted for 75.2% of the Group's total liabilities.

Trade and other payables of approximately S$15.1 million comprised trade payables of S$5.8 million, construction contracts due to customers of S$0.2 million, other payables of S$7.5 million and accrued operating expenses of S$1.5 million. The increase in other payables was mainly due to the advance payment of S$6.0 million from customers in relation to Woodland Station Project and Marina Bay Station Project and amount due to Fuchiang's shareholders of approximately S$1.1 million which arose from the acquisition of a 51% interest in Fuchiang.

The Group's total non-current liabilities amounted to approximately S$5.5 million as at 31 December 2014, which was an increase of S$0.5 million compared to S$5.0 million as at 31 December 2013. The increase was the result of the borrowings in relation to the Internationalisation Finance Scheme loans extended by DBS for the development of the factory in Malaysia on the acquired land at Pasir Gudang, Johor Bahru.

As at 31 December 2014, the Group's equity of approximately S$44.2 million comprised mainly share capital of S$32.3 million and net reserves of S$11.9 million.

The Group reported net working capital of approximately S$44.9 million as at 31 December 2014 compared to S$46.2 million as at 31 December 2013.

# BOARD OF DIRECTORS

**FRONT** (LEFT TO RIGHT)
**MR. KORI NOBUAKI**
**MR. HOOI YU KOH**

**BACK** (LEFT TO RIGHT)
**MR. KUAN CHENG TUCK**
**MR. NICHOLAS PHILIP LAZARUS**
**MR. LIM YEOK HUA**

BOARD OF
# DIRECTORS

## MR. KORI NOBUAKI

Chairman and Executive Director

Mr. Kori Nobuaki is the Chairman and Executive Director and founder of our Group and was appointed as a Director of our Company on 18 May 2012 and was last re-elected on 26 April 2013. Currently, he is also the Executive Director of Kori Singapore, Ming Shin and Kori Malaysia and is responsible for overseeing the strategic positioning and business expansion of the Group including making major business and finance decisions.

Mr. Kori has more than 40 years of experience in the civil/engineering construction industry and has been instrumental in the development and growth of our Group's business. He was first employed with Daisue Construction Japan as a civil engineer and was responsible for several construction projects from 1969 to 1971. He served as an overseas corporation volunteer from Japan from 1971 to 1974, where he was responsible for managing a water supply project in Malawi, Africa. In 1974, he was re-designated as a project coordinator of Daisue Construction Japan and was responsible for coordinating works for a construction project in Guam, United States of America till 1979. After Mr. Kori left Daisue Construction Japan, Mr. Kori ran his own business and managed a few strutting works projects between 1979 and 1981. In 1981, he joined Marubeni Trading, Singapore as a project engineer and was in charge of the strutting works and the management of Marubeni Trading, Singapore till December 1982 when he established our first subsidiary Kori Singapore.

Mr. Kori graduated from Hosei University of Japan with a Bachelor Degree in Engineering (Civil) in 1969.

## MR. HOOI YU KOH

CEO and Managing Director

Mr. Hooi Yu Koh is our CEO and Managing Director and was appointed as a Director of our Company on 18 May 2012 and was last re-elected on 26 April 2013. Mr. Hooi first joined our Group in 1996 and has served as our CEO and Managing Director since October 2005. Currently, he is also the Executive Director of Kori Singapore, Ming Shin, Kori Malaysia and Fuchiang Construction and he is responsible for the business management and day-to-day operations of the Group.

Mr. Hooi has more than 19 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 Singapore. He was subsequently promoted to CEO and Executive Director of Kori Singapore in 2005 and 2012 respectively.

Mr. Hooi has been a member of the Singapore Welding Society since December 2004 and 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. NICHOLAS PHILIP LAZARUS

Independent Director

Mr. Nicholas Philip Lazarus is our Independent Director and was appointed on 16 November 2012 and was last re-elected on 26 April 2013. He has more than 16 years of experience in the legal industry and specialises in civil litigation, corporate finance and conveyancing. 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. Currently, he is also a director of Sealife Shipping Pte. Ltd.

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.

# BOARD OF DIRECTORS

At present, Mr. Lazarus is also, among others, a Commissioner of Oaths recognised by the Singapore Academy of Law, an adjudicator and an associate mediator recognised by the Singapore Mediation Centre and an accredited tax advisor recognised by the Singapore Institute of Accredited Tax Professionals.

## MR. KUAN CHENG TUCK

Independent Director

Mr. Kuan Cheng Tuck is our Independent Director and was appointed on 16 November 2012 and was last re-elected on 25 April 2014. He also currently serves as an independent director of CNMC Goldmine Holdings Limited (a company listed on Catalist of the SGX-ST), 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). Previously, Mr. Kuan served as an independent director of Falmac Limited, China Oilfield Technology Services Group Ltd., ASA Group Holdings Limited and FDS Networks Group Ltd.

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 set up and managed his own business and financial consulting firms in 2004 and his own accounting practice in 2005, namely KCT Consulting Pte Ltd, Kreston Consulting Pte Ltd and C.T. Kuan & Co.

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 is also an associate member of the Singapore Association of Institute of Chartered Secretaries and Administrators.

## MR. LIM YEOK HUA

Independent Director

Mr. Lim Yeok Hua is our Independent Director and was appointed on 16 November 2012 and was last re-elected on 25 April 2014. Mr. Lim is also presently an independent director of Manufacturing Integration Technology Ltd, Tritech Group Limited and Alpha Energy Holdings Limited. Previously Mr. Lim served as an independent director of CNMC Goldmine 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 M&A Pte Ltd and Radiant Management Services Pte Ltd. Mr. Lim 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

## MS. CHEE SHEW YAN

Financial Controller

Ms. Chee Shew Yan is our financial controller. She has been the Financial Controller of our Group since January 2012 and is responsible for overseeing the accounting, treasury, budgeting and payroll matters of our Group.

Ms. Chee was first employed with M.S. Wong & Co., Malaysia as an auditor and was responsible for auditing companies' accounts and reviewing their tax computations from April 1993 to January 1994. From July 1994 till April 1996, she was an auditor at Chuah Kim Seng & Co., Malaysia and was responsible for auditing companies' accounts. In May 1996, she joined Mudajaya Corporation Bhd., Malaysia as an assistant accountant and was responsible for the supervision of the financial accounts of all projects till December 1999. In December 1999, she joined Kori Singapore as an accountant and was responsible for the management of all financial accounting matters of Kori Singapore and Ming Shin till January 2012 when she was promoted to the Financial Controller of our Group.

Ms. Chee graduated from The Flinders University of South Australia in 1993 with a Bachelor of Commerce. She obtained the Certified Practising Accountant qualification from the Australian Society of Certified Practising Accountants in 1994. She has been a member and chartered accountant of the Malaysian Institute of Accountants since 1998 and also a member of the Institute of Singapore Chartered Accountants since 2013.

## MR. NG WAI KIT

Technical Controller

Mr. Ng Wai Kit is the Technical Controller of our Group and has been responsible for the design and engineering matters of our Group's projects since May 2009.

Mr. Ng 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. In November 2005, he joined Kori Singapore as an engineering manager and was in charge of the construction, design and technical matters of all projects in Singapore till May 2009 when he was promoted to a Technical Controller of our Group.

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).

# 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

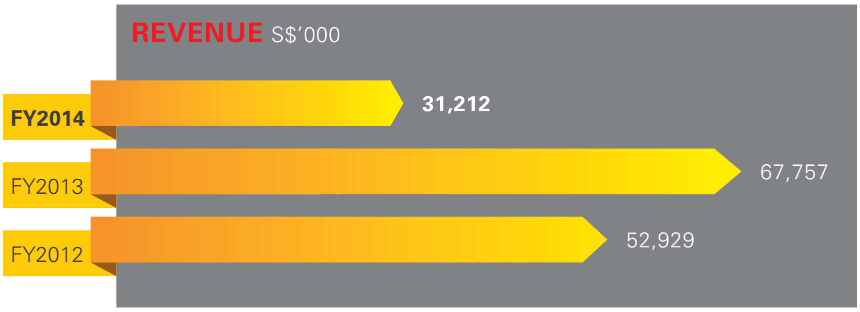
Head of the Tunnel Division

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.

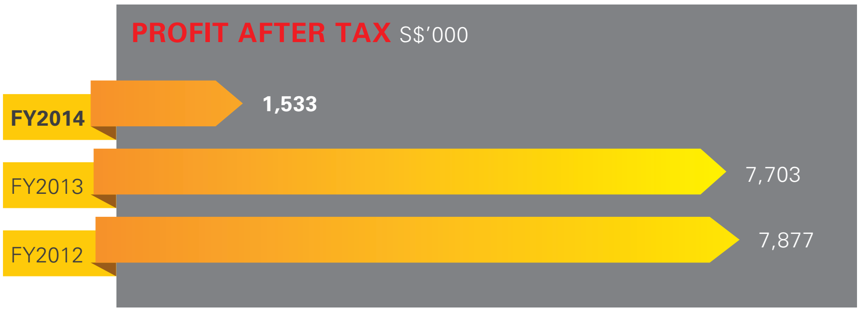
Mr. Chookul was first employed with Nishimatsu Construction Co., Ltd. as a tunnel engineer and was responsible for the control, coordination and operation of tunnelling projects in Thailand from May 2001 to October 2003. In October 2003, he joined Boygues Thai Ltd. as a civil engineer and was responsible 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 a 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).

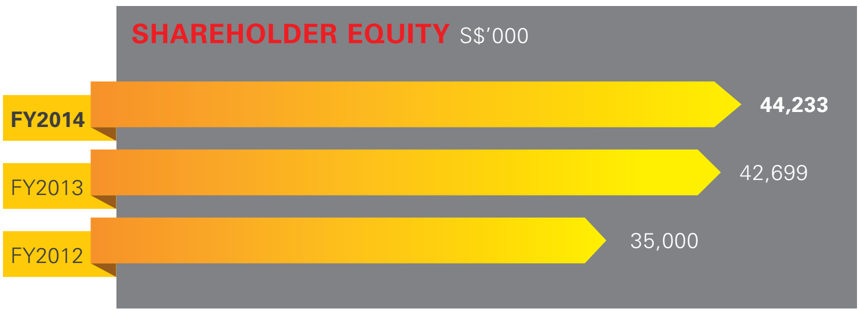
# FINANCIAL HIGHLIGHTS



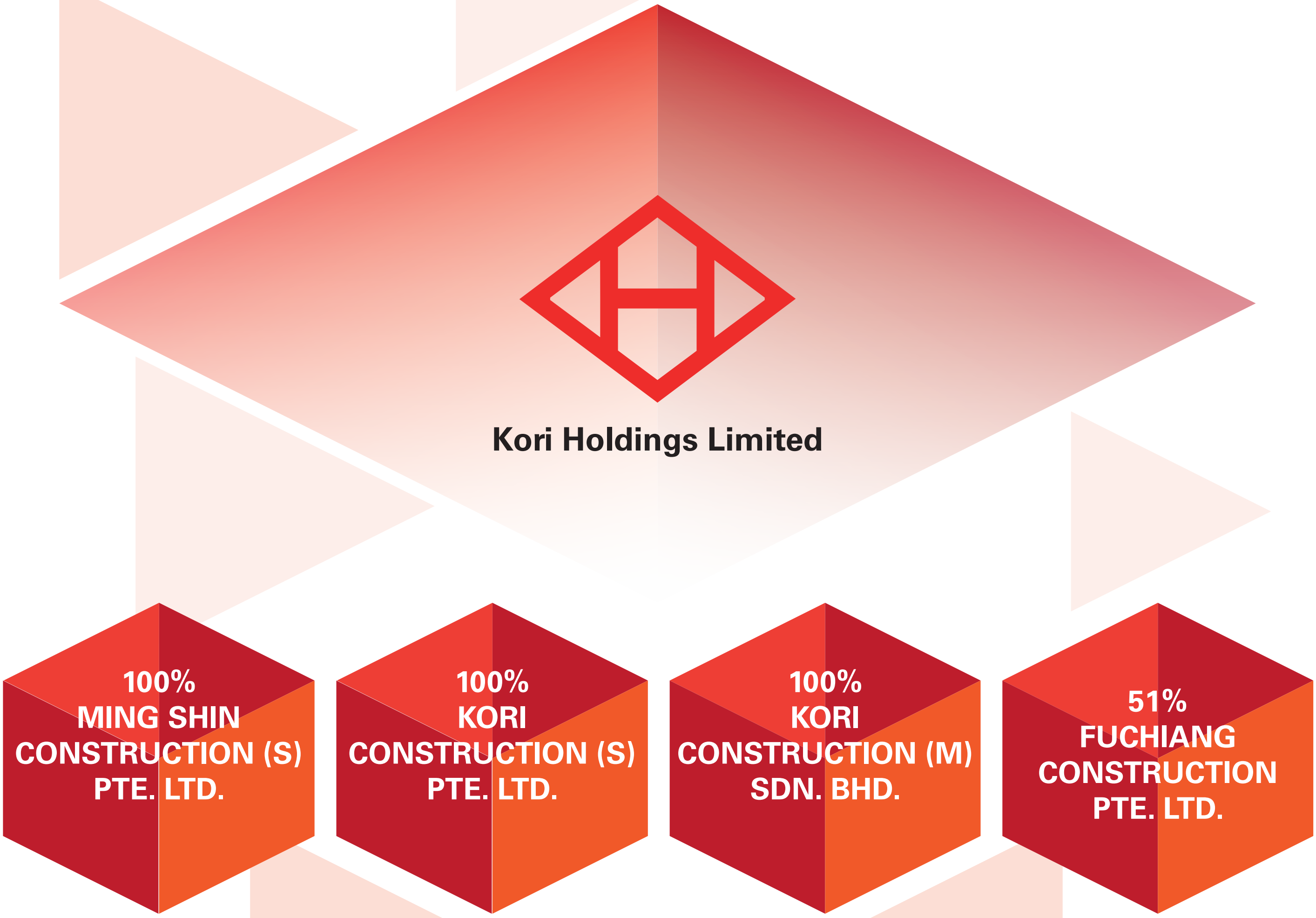








# GROUP STRUCTURE



# CORPORATE **INFORMATION**

## BOARD OF DIRECTORS

MR KORI NOBUAKI
*(Chairman and Executive Director)*

MR. HOOI YU KOH
*(CEO and Managing Director)*

MR. NICHOLAS PHILIP LAZARUS
*(Independent Director)*

MR. KUAN CHENG TUCK
*(Independent Director)*

MR. LIM YEOK HUA
*(Independent Director)*

## AUDIT COMMITTEE

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

## JOINT COMPANY SECRETARIES

MR. TEO MENG KEONG *(ACIS)*
MS. TAN SIEW HUA *(ACIS)*

## REGISTERED OFFICE

11 Sims Drive
#06-01 SCN Centre
Singapore 387385
Tel: 68443445
Fax: 67499150

## SPONSOR

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

## INDEPENDENT AUDITOR

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

Director-in-charge:
Mr. Loh Ji Kin
(a member of the Institute of
Singapore Chartered Accountants)
(Appointed since 31 December 2012)

## SHARE REGISTRAR

Tricor Barbinder Share Registration
Services
80 Robinson Road
#11-02
Singapore 068898

## PRINCIPAL BANKERS

### SINGAPORE

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street OCBC Centre
Singapore 049513

DBS Bank Ltd.
6 Shenton Way
DBS Building Tower Two
Singapore 068809

### MALAYSIA

HSBC Bank Malaysia Berhad
No. 2 Leboh Ampang
50100 Kuala Lumpur
Malaysia

AmBank (M) Berhad
No. 24 & 26 Jalan Hujan Rahmat 2
Overseas Union Garden
Off Jalan Klang Lama
58200 Kuala Lumpur
Malaysia

Malayan Banking Berhad
Taman Kinrara Sales & Services
Center
No. 12 & 13 Jalan TK 1/11A
Taman Kinrara, Seksyen 1
Batu 7½, Jalan Puchong
47100 Puchong, Selangor
Malaysia

FINANCIAL
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# CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of Kori Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places 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 that were in place during the financial year ended 31 December 2014 ("**FY2014**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

| **Guideline** | **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? | The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. |
| | If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. | Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code 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 FY2014. |

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has 5 members and comprises the following:<br><br><table><tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr><tr><th>Name of Director</th><th>Designation</th></tr><tr><td>Kori Nobuaki</td><td>Chairman and Executive Director</td></tr><tr><td>Hooi Yu Koh</td><td>Chief Executive Officer and Managing Director</td></tr><tr><td>Kuan Cheng Tuck</td><td>Independent Director</td></tr><tr><td>Lim Yeok Hua</td><td>Independent Director</td></tr><tr><td>Nicholas Philip Lazarus</td><td>Independent Director</td></tr></table><br>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are to:<br><br>• Set out overall long term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the its Company to meet its objectives;<br>• 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 Company's assets;<br>• Review key management personnel's performance;<br>• Ensure good corporate governance practices to protect the interests of shareholders; and<br>• Appoint Directors and key management personnel.</td></tr>
</table>

# CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has 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 compositions of the Board Committees are as follows:
<table>
<tr><th colspan="4">Table 1.3 – Composition of the Board Committees</th></tr>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Kuan Cheng Tuck</td><td>Lim Yeok Hua</td><td>Nicholas Philip Lazarus</td></tr>
<tr><td>Member</td><td>Lim Yeok Hua</td><td>Kuan Cheng Tuck</td><td>Kuan Cheng Tuck</td></tr>
<tr><td>Member</td><td>Nicholas Philip Lazarus</td><td>Nicholas Philip Lazarus</td><td>Lim Yeok Hua</td></tr>
</table></td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a half yearly basis, and as and when circumstances require. In FY2014, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2014</th></tr>
<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><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Kori Nobuaki</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Hooi Yu Koh</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Kuan Cheng Tuck</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Lim Yeok Hua</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Nicholas Philip Lazarus</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
</table>
NA-Not applicable<br><br>
The Company's Articles of Association (the "Articles") allow for meetings to be held through telephone and/or video-conference.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| 1.5 | What are the types of material transactions which require approval from the Board? | Matters that require the Board's approval include, amongst others, the following:<br>• corporate strategy and business plans;<br>• material acquisitions, investment and disposals;<br>• major financing;<br>• share issuance, dividend release or changes in capital;<br>• budgets, financial results announcements, annual report and audited financial statements; and<br>• interested person transactions. |
| 1.6 | (a) Are new Directors given formal training? If not, please explain why. | All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. |
| | (b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date? | Briefings, updates and trainings for the Directors in FY2014 include:<br>• the external auditors ("**EA**") had briefed the AC on changes or amendments to accounting standards;<br>the Company Secretary had briefed the Board on the following:<br>(i) proposed amendments to the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and the SGX-ST Listing Manual (Section B: Rules of Catalist) (the "**Catalist Rules**");<br>(ii) latest amendments to the Securities and Futures Act (Chapter 289 of Singapore) on Disclosure of Interests requirements for substantial shareholders; and<br>(iii) Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council;<br>• Mr Lim Yeok Hua had attended the "Risk Management Essentials" course conducted by the Singapore Institute of Directors; and<br>• Mr Kuan Cheng Tuck had attended the seminar in relation to "Cross Border Tax Issues and Tax Treaties: An Overview" conducted by Institute of Singapore Chartered Accountants. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **Board Composition and Guidance** | | |
| 2.1<br>2.2<br>3.3 | 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. | In view that the Chairman is part of the management team and is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up 60% of the Board. |
| 2.3<br>4.3 | Has the independence of the Independent Directors been reviewed in the last financial year? | The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code. |
| | (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 that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.<br><br>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation. | There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. |
| 2.4 | 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 Directors who have served beyond nine years since the date of his first appointment. |

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="3">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td rowspan="2">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.<br><br>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:<br><br>
<table>
<tr><th colspan="3">Table 2.6 – Balance and 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>2</td><td>40%</td></tr>
<tr><td>– Business management</td><td>2</td><td>40%</td></tr>
<tr><td>– Legal or corporate governance</td><td>1</td><td>20%</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>
<tr><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></tr>
<tr><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>The Board has taken the following steps to maintain or enhance its balance and diversity:<br><br>• 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<br>• 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.<br><br>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.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **Chairman and Chief Executive Officer** | | |
| 3.1 | Are the duties between Chairman and CEO segregated? | The roles of the Chairman and CEO are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Chairman is not related to the CEO.<br><br>The Chairman oversees the business of the Board. He leads the Board discussions and ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda in consultation with the CEO and ensures the quality, quantity and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision making.<br><br>The CEO 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 also oversees the execution of the business and corporate strategy decisions made by the Board and ensures that the Directors are kept updated and informed of the Group's businesses. |
| 3.4 | Have the Independent Directors met in the absence of key management personnel? | The Independent Directors have met once in the absence of key management personnel in FY2014. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **Board Membership** | | |
| 4.1 | What are the duties of the NC? | The NC is guided by key terms of reference as follows:<br>(a) Reviewing and recommending candidates for appointments to the Board and Board Committees (excluding the appointment of existing members of the Board to a Board Committee);<br>(b) Reviewing and approving any new employment of related persons and proposed terms of their employment;<br>(c) Reviewing and recommending candidates to be nominees on the Board and Board Committees of the Group;<br>(d) Re-nominating the Company's Directors for re-election in accordance with the Articles 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;<br>(e) Determining on an annual basis whether or not a Director of the Company is independent;<br>(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;<br>(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;<br>(h) Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and the CEO;<br>(i) Recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and<br>(j) 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. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| 4.4 | (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? | The Board has set the maximum number of listed company board representations as 6.<br><br>Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, 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 in relation to Board matters, hence ultimately benefitting the Company. |
| | (b) If a maximum has not been determined, what are the reasons? | Not applicable. |
| | (c) What are the specific considerations in deciding on the capacity of directors? | The considerations in assessing the capacity of Directors include the following:<br><br>• Expected and/or competing time commitments of Directors;<br>• Size and composition of the Board; and<br>• Nature and scope of the Group's operations and size. |
| | (d) Have the Directors adequately discharged their duties? | The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2014. |
| 4.5 | Are there alternate Directors? | The Company does not have any alternate directors. |

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6</td><td>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 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider 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>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-electing Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and<br>• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td></tr>
</table>
Pursuant to Article 93 of the Articles, 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 Articles also 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 who is interested in the discussion having abstained from the deliberations, has recommended that Mr Kori Nobuaki and Mr Nicholas Philip Lazarus be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). Mr Kori Nobuaki will, upon re-election as a Director of the Company, remain as the Chairman and Executive Director. Mr Nicholas Philip Lazarus will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the RC and a member of the NC and AC. Mr Nicholas Philip Lazarus will be considered independent for the purposes of the Rule 704(7) of the Catalist Rules.
</td></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section "Board of Directors" of this annual report.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1<br>5.2<br>5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><td colspan="3">Table 5</td></tr>
<tr><th>Performance Criteria</th><th>Board</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition<br>2. Access to information<br>3. Board processes<br>4. Strategic planning<br>5. Board accountability<br>6. Succession planning</td><td>1. Commitment of time<br>2. Knowledge and abilities<br>3. Teamwork<br>4. Independence<br>5. 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>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.<br><br>For FY2014, the review process was as follows:<br><br>1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the individual Directors based on criteria disclosed in Table 5 above;<br>2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and<br>3. The NC discussed the report and concluded the performance results during the NC meeting.<br><br>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.<br><br>No external facilitator was used in the evaluation process.</td></tr>
<tr><td></td><td>(b) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **Access to Information** | | |
| 6.1<br>10.3 | 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? | ***Table 6 – Types of information provided by key management personnel to Independent Directors***<br><br>\| \| **Information** \| **Frequency** \|<br>1. Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary) – Semi-annually<br>2. Updates to the Group's operations and the markets in which the Group operates in – Semi-annually<br>3. Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and EA' report(s) – Semi-annually<br>4. Reports on on-going or planned corporate actions – Semi-annually<br>5. Internal auditors' ("**IA**") report(s) – Annually<br>6. Research report(s) – Semi-annually<br>7. Shareholding statistics – Semi-annually<br><br>Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. |
| 6.3 | What is the role of the Company Secretary? | The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows:<br>• Ensuring that Board procedures are observed and that the Company's memorandum and the Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act and the Catalist Rules, are complied with;<br>• Assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value;<br>• Assists the Chairman to ensure good information flows within the Board and its committees and key management personnel;<br>• Facilitating orientation and assisting with professional development as required;<br>• Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information;<br>• Attends and prepares minutes for all Board meetings;<br>• As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and<br>• Assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **REMUNERATION MATTERS** | | |
| **Developing Remuneration Policies** | | |
| 7.1 | What is the role of the RC? | The RC is guided by key terms of reference as follows:<br><br>(a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel;<br>(b) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payment, severance payments and other similar payments to each member of key management personnel;<br>(c) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; and<br>(d) Reviewing 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. |
| 7.3 | Were remuneration consultants engaged in the last financial year? | No remuneration consultants were engaged by the Company in FY2014. |

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">Disclosure on Remuneration</td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</td></tr>
<tr><td>9.1<br>9.2</td><td>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 for FY2014 is as follows:<br><table>
<tr><th colspan="7">Table 9.2 – Directors' 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>Kori Nobuaki</td><td>291,425</td><td>87%</td><td>10%</td><td>–</td><td>3%</td><td>100%</td></tr>
<tr><td>Hooi Yu Koh</td><td>372,777</td><td>72%</td><td>9%</td><td>–</td><td>19%</td><td>100%</td></tr>
<tr><td>Kuan Cheng Tuck</td><td>33,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
<tr><td>Lim Yeok Hua</td><td>28,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
<tr><td>Nicholas Philip Lazarus</td><td>30,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
</table><br>There are no termination, retirement, post-employment benefits that may be granted to the Directors, the CEO and top 4 key management personnel.</td></tr>
</table>

# CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) 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>The Company only has 4 top key management personnel.<br><br>The breakdown for the remuneration of the Company’s key management personnel (who are not Directors or the CEO) for FY2014 is as follows:<br><br>
<table>
<tr><th colspan="5">Table 9.3 – 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>73%</td><td>14%</td><td>13%</td><td>100%</td></tr>
<tr><td>Ng Wai Kit</td><td>75%</td><td>14%</td><td>11%</td><td>100%</td></tr>
<tr><td>Lee Yeng Tat</td><td>72%</td><td>15%</td><td>13%</td><td>100%</td></tr>
<tr><td>Chookul Charun</td><td>78%</td><td>10%</td><td>12%</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td></td><td>(b) 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 FY2014 was S$593,784.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>Ms Chin Soon Mei is the sister-in-law of our CEO, Mr Hooi Yu Koh. Ms Chin is the director of Kori Construction (M) Sdn. Bhd., a wholly-owned subsidiary of the Company. The remuneration of Ms Chin was below S$50,000 in FY2014.</td></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>Information on the Company’s performance share plan (“Share Plan”) and employee share option scheme (“ESOS”) is set out on pages 38 to 40 of this Annual Report.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="3">9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>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 FY2014. 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.</td></tr>
<tr><td>(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 were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:
<table>
<tr><th colspan="3">Table 9.6</th></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives<br>(such as performance bonus)</th><th>Long-term Incentives<br>(such as the Share Plan and ESOS)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership<br>2. People development<br>3. Commitment<br>4. Teamwork<br>5. Current market and industry practices<br>6. Macro-economic factors</td><td>1. Leadership<br>2. Commitment<br>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<br>2. Positive sales growth<br>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 FY2014.</td></tr>
</table>

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **ACCOUNTABILITY AND AUDIT** | | |
| **Risk Management and Internal Controls** | | |
| 11.3 | (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, with the concurrence of the AC, is 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 FY2014.<br><br>The bases for the Board's view are as follows:<br><br>1. Assurance has been received from the CEO, Financial Controller ("**FC**") and IA (refer to Section 11.3(b) below);<br>2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed;<br>3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and<br>4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns.<br><br>In relation to sustainability, the Group strongly advocates in contributing back to the society by through the reuse of steel materials.<br><br>The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise. |
| | (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO 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 FY2014.<br><br>The Board has relied on the IA's report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances.<br><br>The Board has additionally relied on IA's reports in respect of, amongst others, finance, procurement and subcontracting, human resource and payroll and project management issued to the Company since FY2012 as assurances that the Company's risk management and internal control systems are effective. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **Audit Committee** | | |
| 12.1<br>12.4 | What is the role of the AC? | The AC is guided by the following key terms of reference:<br>(a) Assist the Board in the discharge of its responsibilities on financial reporting matters;<br>(b) Review, with the IA and EA, the audit plans, scope of work, their evaluation of the system of internal accounting controls, reports/management letters and the management's response, and results of the Company's audits compiled by the IA and EA;<br>(c) Review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risks areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;<br>(d) Review the effectiveness and adequacy of the Company's internal controls and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);<br>(e) Review the effectiveness of the Group's internal audit function and review the scope and results of the external audits as well as the independence and objectivity of the EA.<br>(f) Review the co-operation given by the management to the EA;<br>(g) Review and discuss with the EA any suspected fraud or irregularity, suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response and report such matters to the Board at an appropriate time;<br>(h) Make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;<br>(i) Review and approve transactions falling within the scope of Chapters 9 and 10 of the Catalist Rules (if any);<br>(j) Review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the FC and the IA and EA, including financial, operational, compliance, and information technology controls via reviews carried out by the IA;<br>(k) Review 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;<br>(l) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and<br>(m) Generally, to undertake such other functions and duties as may be required by statue or the Catalist Rules, and by such amendments made thereto from time to time. |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| 12.5 | Has the AC met with the auditors in the absence of key management personnel? | Yes, the AC has met with the IA and the EA once in the absence of key management personnel in FY2014. |
| 12.6 | Has the AC reviewed the independence of the EA? | The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM. |
| | (a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year. | See Table 12.6 below. |
| | (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. | The non-audit services rendered by the EA during FY2014 were not substantial. |
| 12.7 | Does the Company have a whistle-blowing policy? | Yes. 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 to the email address ac@kori.com.sg. |
| 12.8 | What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements? | In FY2014, the AC was briefed by the EA on changes or amendments to accounting standards and the AC Chairman had attended the seminar in relation to "Cross Border Tax Issues and Tax Treaties: An Overview" course conducted by Institute of Singapore Chartered Accountants. |
| **Internal Audit** | | |
| 13.1<br>13.2<br>13.3<br>13.4<br>13.5 | Please provide details of the Company's internal audit function, if any. | The Company's internal audit function is outsourced to RSM Ethos Pte Ltd ("**RSM Ethos**") that reports directly to the AC and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that RSM Ethos is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. |

***Table 12.6 – Fees Paid/Payable to the EA for FY2014***

| | S$ | % of total |
|---|---|---|
| **Audit fees** | 60,000 | 70% |
| **Non-audit fees** | | |
| – Tax advice | 10,630 | 12% |
| – Management consultancy | 15,394 | 18% |
| **Total** | **86,024** | **100%** |

# CORPORATE GOVERNANCE REPORT

| Guideline | Code and/or Guide Description | Company's Compliance or Explanation |
|---|---|---|
| **SHAREHOLDER RIGHTS AND RESPONSIBILITIES** | | |
| **Communication with Shareholders** | | |
| 15.2<br>15.3<br>15.4 | (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? | The Company solicits feedback from and addresses the concerns of shareholders via the following:<br><br>• a dedicated investor relations team whose contact details can be found through the Company's corporate website at http://www.kori.com.sg/ and its investor relations webpage at http://www.kori.com.sg/ir.html; and<br>• investor/analyst briefings.<br><br>The Company held 1 investor briefing in FY2014 to meet with its institutional and retail investors. |
| | (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? | |
| | (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 http://www.kori.com.sg/ and its investor relations webpage at http://www.kori.com.sg/latestnews.html and http://www.kori.com.sg/od.html. |
| 15.5 | 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. |
| | Is the Company is paying dividends for the financial year? If not, please explain why. | The Board has proposed a first and final dividend of S$0.005 per ordinary share for FY2014 which will be subject to shareholders' approval at the forthcoming AGM. |
| **CONDUCT OF SHAREHOLDER MEETINGS** | | |
| 16.1<br>16.3<br>16.4<br>16.5 | How are the general meetings of shareholders conducted? | The Company's Articles allow for absentia voting.<br><br>The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, 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.<br><br>All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.<br><br>All minutes of general meetings will be made available to shareholders upon their request within 1 month after the general meeting. |

# CORPORATE GOVERNANCE REPORT

| COMPLIANCE WITH APPLICABLE CATALIST RULES | | |
|---|---|---|
| **Catalist Rule** | **Rule Description** | **Company's Compliance or Explanation** |
| 712, 715 or 716 | Appointment of Auditors | The Company confirms its compliance to the Catalist Rules 712 and 715. |
| 1204(8) | Material Contracts | 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 FY2014 or if not then subsisting, entered into since the end of the previous financial year. |
| 1204(10) | Confirmation of adequacy of internal controls | The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following:<br><br>• internal controls and the risk management system established by the Company;<br>• work performed by the IA and EA;<br>• assurance from the CEO and FC; and<br>• reviews done by the various Board Committees and key management personnel. |
| 1204(17) | Interested Persons Transaction ("**IPT**") | The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.<br><br>There were no IPTs with value more than S$100,000 transacted during FY2014.<br><br>The Company does not have a general mandate for IPTs. |
| 1204(19) | Dealing in Securities | The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information.<br><br>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, and ending on the date of the announcement of the relevant results. |
| 1204(21) | Non-sponsor fees | For FY2014, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$1,200. |

# CORPORATE GOVERNANCE REPORT

<table>
<tr><th colspan="3">COMPLIANCE WITH APPLICABLE CATALIST RULES</th></tr>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(22)</td><td>Use of IPO Proceeds</td><td>As at the date of this report, the status of use of IPO proceeds is as below:–
<table>
<tr><th>Use of Proceeds</th><th>Amount in aggregate (S$'000)</th><th>Amount utilised (S$'000)</th><th>Amount unutilised (S$'000)</th></tr>
<tr><td>Expansion of the Group's structural steelworks and tunnelling services in Singapore</td><td>3,000</td><td>(3,000)</td><td>–</td></tr>
<tr><td>Expansion of the Group's tunnelling services in overseas markets through joint ventures or strategic alliances</td><td>100</td><td>(100)[1]</td><td></td></tr>
<tr><td>Acquisition of land for a new storage yard</td><td>1,000</td><td>(1,000)</td><td>–</td></tr>
<tr><td>General working capital purposes</td><td>305</td><td>(305)[2]</td><td>–</td></tr>
<tr><td>Listing expenses borne by our Company</td><td>1,995</td><td>(1,995)[3]</td><td>–</td></tr>
<tr><td>Total</td><td>6,400</td><td>(6,400)</td><td></td></tr>
</table>
Notes:<br>
1) The Company has reallocated the unutilised amount of S$100,000 initially allocated for the expansion of the Group's tunnelling services in overseas markets through joint ventures or strategic alliances to expand the Group's structural steelworks and tunnelling services in Singapore.<br>
2) The amount for general working capital purposes has been utilised mainly for the payment of professional fees and directors' fees.<br>
3) The Company has reallocated the unutilised amount of approximately S$22,000 allocated for listing expenses to partially finance the acquisition of land for a new storage yard as announced by the Company on 26 July 2013.</td></tr>
</table>

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

## DIRECTORS

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

Kori Nobuaki
Hooi Yu Koh
Kuan Cheng Tuck
Nicholas Philip Lazarus
Lim Yeok Hua

## 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 was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" and "Performance share plan" on pages 38 to 40 of this report.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

| | **Holdings registered in name of director or nominee** | |
|---|---|---|
| | **At 31.12.2014** | **At 31.12.2013** |
| **Company** | | |
| (No. of ordinary shares) | | |
| Kori Nobuaki | 19,448,000 | 20,440,000 |
| Hooi Yu Koh | 30,840,000 | 29,848,000 |

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

By virtue of Section 7 of the Singapore Companies Act (Cap. 50), Kori Nobuaki and Hooi Yu Koh are deemed to have interest in the shares of all the Company's subsidiaries at the end of the financial year.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest, except as disclosed in this report and in the accompanying financial statements and except that Mr. Kori Nobuaki and Mr. Hooi Yu Koh have received remuneration as a result of their employment with the Company and its subsidiaries.

## 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 Administration Committee. A member of the Administration 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 Administration 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 Administration 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.

**SHARE OPTIONS** (CONTINUED)

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 Administration 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.

The Share Option Scheme shall continue in operation for a maximum period of 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 option 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 and its subsidiaries.

There were no unissued shares of the Company and its subsidiaries under option at the end of the financial year.

**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 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.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**PERFORMANCE SHARE PLAN** (CONTINUED)

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.

The Share Plan shall be managed by the Administration 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 Administration 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 Administration Committee for a maximum period of 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 Administration 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.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**AUDIT COMMITTEE**

The members of the Audit Committee at the end of the financial year were as follows:

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

All members of the Audit Committee are non-executive and independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the independent auditor and reviews the level of audit or non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the board that the independent auditor, Nexia TS Public Accounting Corporation, be re-appointed at the forthcoming Annual General Meeting of the Company.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## INDEPENDENT AUDITOR

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

On behalf of the directors

**Kori Nobuaki**
Director

**Hooi Yu Koh**
Director

31 March 2015

# STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on page 46 to 92 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and the result of the business, changes in equity and cash flow of the Group for the financial year then ended; and

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

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

On behalf of the directors

**Kori Nobuaki**
Director

**Hooi Yu Koh**
Director

31 March 2015

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kori Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 92, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Basis for Qualified Opinion

The Company's investment in Fuchiang Construction Pte Ltd ("Fuchiang"), an associated company acquired during the year and accounted for using the equity method, is carried at $3,194,229 on the balance sheet of the Group as at 31 December 2014, and the Company's share of Fuchiang's net profit of $712,338 is included in the Group's net profit for the year then ended. Due to absence of audited financial statements of Fuchiang as at and for the year ended 31 December 2014, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Fuchiang as at 31 December 2014 and the Company's share of Fuchiang's net profit for the year. We were also unable to obtain sufficient and appropriate audit evidence by alternative means concerning the same due to incomplete accounting records of Fuchiang. Consequently, we were unable to determine whether any adjustments, if any, to these amounts were necessary.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

**REPORT ON THE FINANCIAL STATEMENTS** (CONTINUED)

**Qualified Opinion**

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**Nexia TS Public Accounting Corporation**
**Public Accountants and Chartered Accountants**

**Director-in-charge: Loh Ji Kin**
**Appointed since financial year ended 31 December 2012**

**Singapore**
31 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Revenue | 4 | **31,212,145** | 67,757,066 |
| Cost of works | | **(27,427,431)** | (56,163,293) |
| Gross profit | | **3,784,714** | 11,593,773 |
| Other losses – net | 5 | **(482,737)** | (197,533) |
| Expenses | | | |
| – Administrative | | **(2,272,685)** | (2,406,832) |
| – Finance | 8 | **(273,157)** | (98,289) |
| Share of profit of an associated company | 17 | **712,338** | – |
| Profit before income tax | | **1,468,473** | 8,891,119 |
| Income tax credit/(expense) | 9 | **64,044** | (1,187,776) |
| **Net profit** | | **1,532,517** | 7,703,343 |
| **Other comprehensive income/(loss):** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| – Currency translation gain/(loss) arising from consolidation | | **1,717** | (4,978) |
| **Total comprehensive income** | | **1,534,234** | 7,698,365 |
| **Earnings per share attributable to equity holders of the Company** | | | |
| Basic | 10 | **0.02** | 0.08 |
| Diluted | 10 | **0.02** | 0.07 |

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

# BALANCE SHEETS
AS AT 31 DECEMBER 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 11 | **2,686,824** | 9,215,765 | **153,300** | 5,724,826 |
| Trade and other receivables | 12 | **49,375,625** | 52,882,218 | **10,680,887** | 5,915,991 |
| Inventories | 13 | **9,487,866** | 1,446,561 | **–** | – |
| | | **61,550,315** | 63,544,544 | **10,834,187** | 11,640,817 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | **1,598,972** | 1,512,206 | **–** | – |
| Investments in subsidiaries | 16 | **–** | – | **26,069,640** | 26,069,640 |
| Investment in associated company | 17 | **3,194,229** | – | **2,540,000** | – |
| | | **4,793,201** | 1,512,206 | **28,609,640** | 26,069,640 |
| **Total assets** | | **66,343,516** | 65,056,750 | **39,443,827** | 37,710,457 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | **15,075,350** | 16,369,404 | **2,769,017** | 1,645,481 |
| Borrowings | 19 | **1,532,800** | 27,112 | **–** | – |
| Current income tax liabilities | | **14,889** | 933,626 | **–** | – |
| | | **16,623,039** | 17,330,142 | **2,769,017** | 1,645,481 |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | **5,472,453** | 5,000,000 | **5,000,000** | 5,000,000 |
| Deferred income tax liabilities | 22 | **14,699** | 27,517 | **–** | – |
| | | **5,487,152** | 5,027,517 | **5,000,000** | 5,000,000 |
| **Total liabilities** | | **22,110,191** | 22,357,659 | **7,769,017** | 6,645,481 |
| **NET ASSETS** | | **44,233,325** | 42,699,091 | **31,674,810** | 31,064,976 |
| **EQUITY** | | | | | |
| Share capital | 23 | **32,290,650** | 32,290,650 | **32,290,650** | 32,290,650 |
| Retained profits/(accumulated losses) | 24 | **37,574,111** | 36,041,594 | **(615,840)** | (1,225,674) |
| Merger reserve | | **(25,627,521)** | (25,627,521) | **–** | – |
| Currency translation reserve | | **(3,915)** | (5,632) | **–** | – |
| **Total equity** | | **44,233,325** | 42,699,091 | **31,674,810** | 31,064,976 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | Share capital $ | Retained profits $ | Merger reserve $ | Currency translation reserve $ | Total equity $ |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| **Beginning of financial year** | | **32,290,650** | **36,041,594** | **(25,627,521)** | **(5,632)** | **42,699,091** |
| Total comprehensive income for the year | | **–** | **1,532,517** | **–** | **1,717** | **1,534,234** |
| **End of financial year** | | **32,290,650** | **37,574,111** | **(25,627,521)** | **(3,915)** | **44,233,325** |
| **2013** | | | | | | |
| **Beginning of financial year** | | 32,290,650 | 28,338,251 | (25,627,521) | (654) | 35,000,726 |
| Total comprehensive income/(loss) for the year | | – | 7,703,343 | – | (4,978) | 7,698,365 |
| **End of financial year** | | 32,290,650 | 36,041,594 | (25,627,521) | (5,632) | 42,699,091 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | **1,532,517** | 7,703,343 |
| Adjustment for | | | |
| – Income tax (credit)/expense | | **(64,044)** | 1,187,776 |
| – Depreciation | 15 | **88,581** | 118,104 |
| – Loss on disposal of property, plant and equipment | 5 | **–** | 180 |
| – Interest income – bank deposits | 5 | **(5,287)** | (15,827) |
| – Interest income – loan to associated company | 5 | **(56,622)** | – |
| – Interest expense | 8 | **273,157** | 98,289 |
| – Share of profit of an associated company | 17 | **(712,338)** | – |
| – Loss/(gain) on unrealised currency translation | | **26,090** | (4,076) |
| | | **1,082,054** | 9,087,789 |
| **Change in working capital** | | | |
| – Trade and other receivables | | **4,613,215** | (14,251,839) |
| – Trade and other payables | | **(1,294,054)** | 1,150,325 |
| – Inventories | | **(8,041,305)** | (459,481) |
| Cash used in operations | | **(3,640,090)** | (4,473,206) |
| Income tax paid | | **(867,515)** | (4,164,796) |
| **Net cash used in operating activities** | | **(4,507,605)** | (8,638,002) |
| **Cash flows from investing activities** | | | |
| Acquisition of investment in an associated company, net of unrealised gain on transaction with associated company | | **(2,481,891)** | – |
| Loan to an associated company | | **(1,050,000)** | – |
| Additions to property, plant and equipment | 15 | **(199,716)** | (1,382,971) |
| **Net cash used in investing activities** | | **(3,731,607)** | (1,382,971) |
| **Cash flows from financing activities** | | | |
| Interest received | | **5,287** | 15,827 |
| Interest paid | | **(273,157)** | (5,823) |
| Bank deposits pledged | 11 | **(1,001,661)** | 754,227 |
| Proceeds from issuance of convertible bond | 20 | **–** | 5,000,000 |
| Proceeds from borrowings | | **2,005,253** | – |
| Repayment of finance lease liabilities | | **(27,112)** | (46,594) |
| **Net cash provided by financing activities** | | **708,610** | 5,717,637 |
| **Net decrease in cash and cash equivalents** | | **(7,530,602)** | (4,303,336) |
| Cash and cash equivalent at beginning of financial year | | **9,215,765** | 13,519,101 |
| **Cash and cash equivalent at end of financial year** | 11 | **1,685,163** | 9,215,765 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

## 1. CORPORATE INFORMATION

### 1.1 The Company

The Company was incorporated in the Republic of Singapore on 18 May 2012 as an exempt private company limited by shares under the name of Kori Holdings Pte.Ltd. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 11 December 2012. Its registered and principal place of business is 11 Sims Drive, #06-01 SCN Centre. Singapore 387385.

The principal activities of the Company are investment holding and management and administrative support to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 16.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

*Interpretations and amendments to published standards effective in 2014*

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

*FRS 112 Disclosures of Interests in Other Entities*

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 Consolidated Financial Statements and FRS 111 Joint Arrangements, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) Separate Financial Statements and FRS 28 (revised 2011) Investments in Associates and Joint Ventures.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Group Accounting

*(a) Subsidiaries*

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Group Accounting (Continued)

*(a) Subsidiaries (Continued)*

(ii) Acquisitions (Continued)

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

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

(iii) Disposals

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

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

*(b) Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Group Accounting (Continued)

*(c) Associated company*

Associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investment in associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated company represents the excess of the cost of the acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investment.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised as other comprehensive income. These post-acquisition movements and distributions received from the associated company are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated company have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Group Accounting (Continued)

*(c) Associated company (Continued)*

(iii) Disposal

Investment in associated company is derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph 2.5, "Investment in subsidiaries and associated company" for the accounting policy on investment in associated company in the separate financial statements of the Company.

### 2.3 Revenue Recognition

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

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

*(a) Revenue from structural steel works and tunnelling*

Revenue from construction contract is recognised based on the percentage-of-completion method as disclosed in Note 2.7.

*(b) Interest income*

Interest income is recognised using the effective interest method.

*(c) Dividend income*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Property, Plant and Equipment

(a) *Measurement*

(i) Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

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

(b) *Depreciation*

Construction-in-progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful Lives |
|---|---|
| – Land | 50 years |
| – Buildings | 50 years |
| – Furniture and fittings | 10 years |
| – Motor vehicles | 5 years |
| – Office equipment | 1 – 10 years |
| – Plant and machinery | 5 years |
| – Site office | 20 years |

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

(c) *Subsequent expenditure*

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

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Investments in Subsidiaries and Associated Company

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

### 2.6 Impairment of Non-Financial Assets

*Property, plant and equipment*
*Investment in subsidiaries and associated company*

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

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

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.7 Construction Contracts**

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

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

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activities on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where cumulative cost incurred plus the recognised profit (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profit (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billing not yet paid by customers and retention monies are included within "trade and other receivables". Advances received are included within "trade and other payables".

**2.8 Cash and Cash Equivalents**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Loans and Receivables

*Bank balances*
*Trade and other receivables*

Bank balances and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these financial assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These financial assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

### 2.10 Offsetting of financial instruments

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

### 2.11 Inventories

Inventories comprise materials to be consumed in the rendering of construction service which are stated at the lower of cost and net realisable value, cost is determined by applying the weighted average method. Net realisable value is the estimated selling price less the applicable costs of conversion and variable selling expenses.

### 2.12 Trade and Other Payables

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Borrowings

(a) *Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) *Convertible bond*

The total proceeds from convertible bond issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bond. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bond.

The difference, if any, between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amounts of the liability and equity components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

### 2.14 Income Taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability and affects neither accounting nor taxable profit nor loss at the time of the transaction.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Income Taxes (Continued)

Deferred income tax is measured:

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

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

Current and deferred income taxes are recognised as income and expense in profit or loss.

### 2.15 Employee Compensation

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

*Defined contribution plans*

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

*Share-based compensation*

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Employee Compensation (Continued)

*Performance shares*

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for the shares or right over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or granted, excluding the impact of any non-market vesting conditions. The amount is determined by reference to the fair value of the performance shares on the grant date. This fair value is recognised in profit or loss over the remaining vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting, with the adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

### 2.16 Currency Translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Currency Translation (Continued)

(b) *Transactions and balances (Continued)*

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other (losses)/income -net"

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

(c) *Translation of group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the other comprehensive income and accumulated in currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Provisions for Other Liabilities and Charges

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

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

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.18 Share Capital

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

### 2.19 Dividends to Company's Shareholders

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

### 2.20 Government Grant

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

Government grant relating to expense is deducted directly from the related expenses.

### 2.21 Fair Value Estimation

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Leases

*When the Group is the lessee:*

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

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

### 2.23 Segment Reporting

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

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

### (a) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compare to the estimated total costs for the contract.

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

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 5% from management estimates, the Group's revenue for the financial year ended 31 December 2014 will increase/decrease by $1,200,000 and $1,200,000 (2013: $3,200,000 and $3,300,000) respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 5% from management's estimates, the Group's profit for the financial year ended 31 December 2014 will decrease/increase by $420,000 and $430,000 (2013: $790,000 and $820,000) respectively.

### (b) Income taxes

The Group has exposure to income taxes in Singapore and Malaysia. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2014, the carrying amount of the Group's current income tax liabilities was $14,889 (2013: $933,626) and the carrying amount of the Group's deferred income tax liabilities was $14,699 (2013: $27,517).

## 4. REVENUE

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Revenue from structural steel works | **24,493,896** | 61,546,928 |
| Revenue from tunnelling | **6,718,249** | 6,210,138 |
| | **31,212,145** | 67,757,066 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 5. OTHER LOSSES – NET

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Net foreign currency loss | **(70,195)** | (251,823) |
| Loss on disposal of property, plant and equipment | **–** | (180) |
| Government grant | **112,657** | 67,828 |
| Loss from sales of scrap materials | **(636,434)** | (96,334) |
| Interest income – bank deposits | **5,287** | 15,827 |
| Interest income – loan to associated company | **56,622** | – |
| Secondment of workers | **624** | – |
| Welder qualification test fees | **15,050** | 24,000 |
| Administrative fees for workers | **16,950** | 6,670 |
| Others | **16,702** | 36,479 |
| | **(482,737)** | (197,533) |

## 6. EXPENSES BY NATURE

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Depreciation (Note 15) | **88,581** | 118,104 |
| Employee compensation (Note 7) | **11,403,761** | 12,100,393 |
| Entertainment | **16,356** | 19,523 |
| Fees on audit services paid/payables to: | | |
| – Auditor of the Company | **60,000** | 60,000 |
| – Other auditors | **27,182** | 14,141 |
| Fees on non-audit services paid/payables to: | | |
| – Auditor of the Company | **26,024** | 14,350 |
| – Other auditors | **658** | 736 |
| Directors' fees | **91,000** | 102,375 |
| Insurance | **86,651** | 71,484 |
| Transport and travelling | **175,621** | 193,451 |
| Professional fees | **420,327** | 562,266 |
| Purchase of materials | **9,726,748** | 19,445,133 |
| Rental on operating leases | **4,377,077** | 5,161,807 |
| Sub-contractors' charges | **6,789,534** | 12,560,938 |
| Worksite | **4,085,224** | 8,053,104 |
| Changes in inventories | **(8,041,305)** | (459,481) |
| Other | **366,677** | 551,801 |
| Total cost of works and administrative expenses | **29,700,116** | 58,570,125 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 7. EMPLOYEE COMPENSATION

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Wages and salaries | **11,110,442** | 11,748,200 |
| Employers' contribution to defined contribution plans including Central Provident Fund | **277,497** | 296,416 |
| Other benefits | **15,822** | 55,777 |
| | **11,403,761** | 12,100,393 |

## 8. FINANCE EXPENSES

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Interest expense on: | | |
| – Finance lease liabilities | **3,396** | 5,823 |
| – Bank borrowings | **19,761** | – |
| – Convertible bond | **250,000** | 92,466 |
| | **273,157** | 98,289 |

## 9. INCOME TAX (CREDIT)/EXPENSE

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Tax expense attributable to profit is made up of: | | |
| *Profit for the financial year* | | |
| Current income tax | | |
| – Singapore | **14,889** | 1,522,000 |
| Deferred income tax (Note 22) | **(594)** | (198) |
| | **14,295** | 1,521,802 |
| *Over provision in prior financial years* | | |
| – Current income tax | **(66,111)** | (334,026) |
| – Deferred income tax (Note 22) | **(12,228)** | – |
| | **(64,044)** | 1,187,776 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Profit before income tax | **1,468,473** | 8,891,119 |
| Share of profit of an associated company | **(712,338)** | – |
| Profit before tax and share of profit of an associated company | **756,135** | 8,891,119 |
| Tax calculated at tax rate of 17% (2013: 17%) | **128,543** | 1,511,490 |
| Effects of: | | |
| – Different tax rate in other countries | **(3,284)** | (2,006) |
| – Singapore statutory stepped income exemption | **(25,925)** | (25,925) |
| – Expenses not deductible for tax purposes | **37,747** | 56,310 |
| – Income not subject to tax | **(899)** | (1,206) |
| – Productivity and innovation credit | **(113,549)** | (83,063) |
| – Tax rebate | **(12,605)** | (30,000) |
| – Others | **4,267** | 96,202 |
| Tax charge | **14,295** | 1,521,802 |

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

### (a) Basic earnings per share

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| Net profit attributable to equity holders of the Company ($) | **1,532,317** | 7,703,343 |
| Weighted average number of ordinary shares | **99,200,000** | 99,200,000 |
| Basic earnings per share ($) | **0.02** | 0.08 |

## 10. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's convertible bond is the only dilutive potential ordinary shares issued during the year.

Convertible bond are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect, if any.

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| Net profit attributable to equity holders of the Company ($) | **1,532,517** | 7,703,343 |
| Interest expense on convertible bonds | **250,000** | 92,466 |
| Net profit used to determine diluted earnings per share | **1,782,517** | 7,795,809 |
| Weighted average number of ordinary shares outstanding for basic earnings per share | **99,200,000** | 99,200,000 |
| Adjustment for convertible bond | **11,904,000** | 11,904,000 |
| | **111,104,000** | 111,104,000 |
| Diluted earnings per share ($) | **0.02** | 0.07 |

## 11. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| Cash at bank and on hand | **1,685,163** | 3,456,626 | **153,300** | 721,799 |
| Short-term bank deposits | **1,001,661** | 5,759,139 | **–** | 5,003,027 |
| | **2,686,824** | 9,215,765 | **153,300** | 5,724,826 |

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Cash and bank balances (as above) | **2,686,824** | 9,215,765 |
| Less: Short-term bank deposit pledged (Note 19(a)) | **(1,001,661)** | – |
| Cash and cash equivalents per consolidated cash flow statement | **1,685,163** | 9,215,765 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 12. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Trade receivables | | | | |
| – Non-related parties | **5,387,284** | 5,422,563 | – | – |
| Construction contracts: | | | | |
| – Due from customers (Note 14) | **35,203,111** | 39,150,921 | – | – |
| – Retention (Note 14) | **6,209,189** | 7,041,813 | – | – |
| | **41,412,300** | 46,192,734 | – | – |
| Other receivables | | | | |
| – Subsidiaries | – | – | **9,657,680** | 5,415,991 |
| – Associated company | **924,137** | – | **73,207** | – |
| – Non-related parties | **53,777** | 547,028 | – | 500,000 |
| | **977,914** | 547,028 | **9,730,887** | 5,915,991 |
| Loan to an associated company | **1,050,000** | – | **950,000** | – |
| Deposits | **529,467** | 685,125 | – | – |
| Prepayments | **18,660** | 34,768 | – | – |
| | **49,375,625** | 52,882,218 | **10,680,887** | 5,915,991 |

Other receivables from subsidiaries and associated company are unsecured, interest-free and are repayable on demand.

Loan to an associated company amounting to $1,050,000 (2013: Nil) is interest-bearing at 6% per annum, secured by a charge over the inventories of the associated company and due within 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 13. INVENTORIES

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Steel beams | **9,487,866** | 1,446,561 |

The cost of inventories recognised as an expense and included in "cost of works" amounted to $1,685,443 (2013: $18,985,652).

## 14. CONSTRUCTION CONTRACTS

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| *Construction contract, work-in-progress* | | |
| Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts | **182,961,648** | 163,059,784 |
| Less: Progress billings | **(147,936,350)** | (124,455,713) |
| | **35,025,298** | 38,604,071 |
| Presented as: | | |
| Due from customers on construction contracts (Note 12) | **35,203,111** | 39,150,921 |
| Due to customers on construction contracts (Note 18) | **(177,813)** | (546,850) |
| | **35,025,298** | 38,604,071 |
| Retentions on construction contracts (Note 12) | **6,209,189** | 7,041,813 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 15. PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings $ | Furniture and fittings $ | Motor vehicles $ | Office equipment $ | Plant and machinery $ | Site office $ | Construction-in-progress $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| *Cost* | | | | | | | | |
| Beginning of financial year | **1,363,706** | **113,296** | **406,306** | **108,792** | **344,309** | **50,500** | **–** | **2,386,909** |
| Currency translation differences | **(25,509)** | **(56)** | **(1,397)** | **(555)** | **(47)** | **–** | **–** | **(27,564)** |
| Additions | **–** | **–** | **–** | **1,335** | **–** | **–** | **198,381** | **199,716** |
| End of financial year | **1,338,197** | **113,240** | **404,909** | **109,572** | **344,262** | **50,500** | **198,381** | **2,559,061** |
| *Accumulated depreciation* | | | | | | | | |
| Beginning of financial year | **27,834** | **39,567** | **373,145** | **86,502** | **312,138** | **35,517** | **–** | **874,703** |
| Currency translation differences | **(1,180)** | **(48)** | **(1,398)** | **(520)** | **(49)** | **–** | **–** | **(3,195)** |
| Depreciation charge (Note 6) | **27,423** | **9,944** | **33,160** | **4,347** | **12,762** | **945** | **–** | **88,581** |
| End of financial year | **54,077** | **49,463** | **404,907** | **90,329** | **324,851** | **36,462** | **–** | **960,089** |
| **Net book value at end of financial year** | **1,284,120** | **63,777** | **2** | **19,243** | **19,411** | **14,038** | **198,381** | **1,598,972** |

| Group | Land and buildings $ | Furniture and fittings $ | Motor vehicles $ | Office equipment $ | Plant and machinery $ | Site office $ | Total $ |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| *Cost* | | | | | | | |
| Beginning of financial year | 71,675 | 45,071 | 407,918 | 93,079 | 344,362 | 50,500 | 1,012,605 |
| Currency translation differences | (1,513) | (65) | (1,612) | (641) | (53) | – | (3,884) |
| Additions | 1,293,544 | 68,748 | – | 20,679 | – | – | 1,382,971 |
| Disposals | – | (458) | – | (4,325) | – | – | (4,783) |
| End of financial year | 1,363,706 | 113,296 | 406,306 | 108,792 | 344,309 | 50,500 | 2,386,909 |
| *Accumulated depreciation* | | | | | | | |
| Beginning of financial year | 17,425 | 32,387 | 308,436 | 71,942 | 299,411 | 34,572 | 764,173 |
| Currency translation differences | (673) | (52) | (1,611) | (588) | (47) | – | (2,971) |
| Depreciation charge (Note 6) | 11,082 | 7,690 | 66,320 | 19,293 | 12,774 | 945 | 118,104 |
| Disposals | – | (458) | – | (4,145) | – | – | (4,603) |
| End of financial year | 27,834 | 39,567 | 373,145 | 86,502 | 312,138 | 35,517 | 874,703 |
| **Net book value at end of financial year** | 1,335,872 | 73,729 | 33,161 | 22,290 | 32,171 | 14,983 | 1,512,206 |

The carrying amounts of motor vehicles held under finance leases are Nil (2013: $33,161) at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 16. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **Equity investments at cost** | | |
| Beginning and end of financial year | **26,069,640** | 26,069,640 |

Details of the subsidiaries are as follows:

| Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | |
|---|---|---|---|---|---|---|
| | | | **2014** | **2013** | **2014** | **2013** |
| | | | **%** | **%** | **%** | **%** |
| Kori Construction (S) Pte. Ltd.[(a)] | Building construction and civil engineering work | Singapore | **100** | 100 | **100** | 100 |
| Ming Shin Construction (S) Pte.Ltd.[(a)] | Building construction and civil engineering work | Singapore | **100** | 100 | **100** | 100 |
| Kori Construction (M) Sdn. Bhd.[(b)] | Contractors for construction works for all kind | Malaysia | **100** | 100 | **100** | 100 |

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.

(b) Audited by MustaphaRaj Chartered Accountants, Malaysia.

(c) In accordance to Rule 715 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they have engaged a suitable auditing firm for its significant foreign – incorporated subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 17. INVESTMENT IN ASSOCIATED COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Equity investment at cost | | | 2,540,000 | – |
| Beginning of financial year | – | – | | |
| Acquisition during the year | 2,540,000 | – | | |
| Share of profit of an associated company | 712,338 | – | | |
| Unrealised gain elimination | (58,109) | – | | |
| End of financial year | 3,194,229 | – | | |

The management accounts of the associated company were used for the purpose of equity accounting its results in the consolidated financial statements of the Company as the statutory audit of the associated company has yet to be completed as at the date of these consolidated financial statements. Should there be any material discrepancy between the management accounts and the audited financial statements of the associated company upon the completion of its statutory audit, such discrepancy will be accounted for in the consolidated financial statements in accordance with relevant accounting standards.

Set out below is the associated company of the Group as at 31 December 2014, which, in the opinion of the directors, is material to the Group. The associated company as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation is also their principal place of business. Although the Group holds 51% interest, it is regarded as an associated company on the basis that the Group has no control over the entity. The Group has no power to affect the amount of its variable returns from its involvement with investee.

Details of associated companies are as follows:

| Name of associated company | Principal activities | Country of incorporation | Equity holding 2014 | Equity holding 2013 |
|---|---|---|---|---|
| Fuchiang Construction Pte Ltd (a) | Building construction | Singapore | 51% | – |

(a) Audited by Nexia TS Public Accounting Corporation

## 17. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

Set out below are the summarised financial information for Fuchiang Construction Pte Ltd:

***Summarised balance sheet***
***31 December 2014***

| | 2014<br>$ |
|---|---|
| **Current assets** | **4,189,331** |
| **Non-current assets** | **7,946,676** |
| **Current liabilities** | **(8,184,801)** |
| **Non-current liabilities** | **(530,235)** |
| **Net assets** | **3,420,971** |

***Summarised statement of comprehensive income***
***For the financial period from 1 July 2014 (acquisition date) to 31 December 2014***

| | |
|---|---|
| **Revenue** | **6,249,705** |
| Includes: | |
| Interest income | **–** |
| **Expenses** | **(4,861,127)** |
| Includes: | |
| – Depreciation | **(956,612)** |
| – Interest expense | **(44,405)** |
| **Other income** | **8,163** |
| **Profit from continuing operations** | **1,396,741** |
| Income tax expense | **–** |
| Post-tax profit from continuing operations | **1,396,741** |
| Post-tax profit from discontinued operations | **–** |
| Other comprehensive income | **–** |
| Total comprehensive income | **1,396,741** |
| Dividends received from associated company | **–** |

The information above reflects the amounts presented in the unaudited financial statements of the associated company and not the Group's share of those amounts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 17. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)

***Reconciliation of summarised financial information***

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follow:

| | Fuchiang Construction Pte Ltd As at 31 December 2014 $ |
|---|---|
| **Net assets** | |
| **At acquisition date** | **2,024,230** |
| Post-acquisition profit for the year | **1,396,741** |
| As at 31 December 2014 | **3,420,971** |
| Interest in associated company (51%) | **1,744,695** |
| Goodwill | **1,507,643** |
| Unrealised gain on transaction between the Group and associated company | **(58,109)** |
| **Carrying value of Group's interest in associated company** | **3,194,229** |

## 18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Trade payables to: | | | | |
| – Non-related parties | **5,771,160** | 14,096,044 | **13,257** | 38,530 |
| Construction contracts | | | | |
| – Due to customers (Note 14) | **177,813** | 546,850 | **–** | – |
| Non-trade payables | | | | |
| – Non-related parties | **7,505,051** | 212,633 | **1,143,137** | – |
| – Subsidiary company | **–** | – | **1,467,407** | 1,466,435 |
| – Associated company | **77,065** | – | **–** | – |
| | **7,582,116** | 212,633 | **2,610,544** | 1,466,435 |
| Accrued operating expenses | **1,544,261** | 1,513,877 | **145,216** | 140,516 |
| | **15,075,350** | 16,369,404 | **2,769,017** | 1,645,481 |

Non-trade payables to subsidiaries and associated company are unsecured, interest-free and repayable upon demand.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| Current | | | | |
| Finance lease liabilities (Note 21) | **–** | 27,112 | **–** | – |
| Bank borrowings | **1,532,800** | – | **–** | – |
| | **1,532,800** | 27,112 | **–** | – |
| Non-current | | | | |
| Convertible bond (Note 20) | **5,000,000** | 5,000,000 | **5,000,000** | 5,000,000 |
| Bank borrowings | **472,453** | – | **–** | – |
| | **5,472,453** | 5,000,000 | **5,000,000** | 5,000,000 |
| Total borrowings | **7,005,253** | 5,027,112 | **5,000,000** | 5,000,000 |

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| – 6 to 12 months | **1,532,800** | 27,112 | **–** | – |
| – 1 to 5 years | **472,453** | – | **–** | – |
| Total borrowings | **2,005,253** | 27,112 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. BORROWINGS (CONTINUED)

### (a) Securities granted

Total borrowings include secured liabilities of $2,005,253 (2013: $27,112). Finance lease liabilities of the Group are effectively secured over by motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

Bank borrowings of the Group are secured over certain bank deposit (Note 11) and corporate guaranteed by the Company.

### (b) Fair value of non-current borrowings

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| – Convertible bond | **4,978,789** | 5,000,000 |
| – Bank borrowings | **446,342** | – |

The fair value above are determined from cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the director expect to be available to the Group as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| – Convertible bond | **5.17%** | 5% |
| – Bank borrowings | **5.9%** | – |

The fair values are within Level 3 of the fair values hierarchy.

## 20. CONVERTIBLE BOND

On 19 August 2013, the Company issued a 5% convertible bonds denominated in Singapore Dollar with a nominal value of $5,000,000. The bond are due for repayment 3 years from the issue date at their nominal value of $5,000,000 or conversion into shares of the Company at the holder's option at the rate of $0.42 per share, being not more than a 10% discount to the prevailing market price of the shares on the last trading day prior to the date of the agreement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 21. FINANCE LEASE LIABILITIES

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Minimum lease payments due | | |
| – Not later than one year | – | 30,508 |
| – Between one and five years | – | – |
| | – | 30,508 |
| Less: Future finance charges | – | (3,396) |
| Present value of finance lease liabilities | – | 27,112 |

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

| | | |
|---|---|---|
| – Not later than one year (Note 19) | – | 27,112 |

## 22. DEFERRED INCOME TAX LIABILITIES

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Deferred income tax liabilities | | |
| – to be settled after one year | **14,699** | 27,517 |

Movement in deferred income tax liabilities is as follows:

| | **Accelerated tax depreciation** |
|---|---|
| | **$** |
| **2014** | |
| Beginning of financial year | **27,517** |
| Currency translation differences | **4** |
| Credited to profit or loss (Note 9) | **(12,822)** |
| End of financial year | **14,699** |
| **2013** | |
| Beginning of financial year | 27,726 |
| Currency translation differences | (11) |
| Credited to profit or loss (Note 9) | (198) |
| End of financial year | 27,517 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 23. SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | Number of shares | Issued and paid-up share capital $ |
| **2014** | | |
| Beginning and end of financial year | **99,200,000** | **32,290,650** |
| **2013** | | |
| Beginning and end of financial year | 99,200,000 | 32,290,650 |

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

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

At the forthcoming Annual General Meeting on 29 April 2015, a first and final dividend of 0.5 cents per share amounting to a total of $496,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

## 24. RETAINED PROFITS

Retained profits net of merger reserve of the Group are distributable.

## 25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has 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 party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

### (a) Sales and purchases of goods and services

| | Group | |
|---|---|---|
| | 2014 $ | 2013 $ |
| Sales of goods to an associated company | **263,237** | – |
| Interests income from an associated company | **56,622** | – |
| Rental expenses paid/payable to an associated company | **111,398** | – |
| Sub-contractor fees paid/payable to an associated company | **430,000** | – |

Outstanding balances as at 31 December 2014, arising from sales and purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Note 12 and Note 18 respectively.

## 25. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management personnel compensation

Key management personnel compensation representing total compensation paid to directors is as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Salaries and bonuses | **609,858** | 611,037 |
| Employer's contribution to defined contribution plans including Central Provident Fund | **35,523** | 39,005 |
| Directors' fee | **91,000** | 102,375 |
| Other benefits | **48,120** | 491 |
| | **784,501** | 752,908 |

## 26. COMMITMENTS

### Operating lease commitments

The Group leases dormitory for workers from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Not later than one year | **804,207** | 1,104,680 |
| Between one and five years | **3,585** | 223,654 |
| | **807,792** | 1,328,334 |

## 27. FINANCIAL RISK MANAGEMENT

### Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors establishes the detail policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Market risk*

(i) Currency risk

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

| Group | SGD $ | USD $ | MYR $ | Total $ |
|---|---|---|---|---|
| As 31 December 2014 | | | | |
| **Financial assets** | | | | |
| Cash and bank balances | **2,414,897** | **–** | **271,927** | **2,686,824** |
| Trade and other receivables | **49,333,473** | **–** | **23,492** | **49,356,965** |
| Intercompany receivables | **59,449,413** | **–** | **1,550,150** | **60,999,563** |
| | **111,197,783** | **–** | **1,845,569** | **113,043,352** |
| **Financial liabilities** | | | | |
| Borrowings | **(7,005,253)** | **–** | **–** | **(7,005,253)** |
| Intercompany payables | **(60,999,563)** | **–** | **–** | **(60,999,563)** |
| Other financial liabilities | **(14,160,107)** | **(644,938)** | **(92,492)** | **(14,897,537)** |
| | **(82,164,923)** | **(644,938)** | **(92,492)** | **(82,902,353)** |
| **Net financial assets/(liabilities)** | **29,032,860** | **(644,938)** | **1,753,077** | **30,140,999** |
| Add: Net non-financial assets | **12,605,417** | **–** | **1,486,909** | **14,092,326** |
| **Net assets/(liabilities)** | **41,638,277** | **(644,938)** | **3,239,986** | **44,233,325** |
| **Currency profile including non-financial assets and liabilities** | **41,638,277** | **(644,938)** | **3,239,986** | **44,233,325** |
| **Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies** | **–** | **(644,938)** | **–** | **(644,938)** |

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

*(a) Market risk (Continued)*

(i) Currency risk (Continued)

| Group | SGD $ | USD $ | MYR $ | Total $ |
|---|---|---|---|---|
| As 31 December 2013 | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 9,108,004 | – | 107,761 | 9,215,765 |
| Trade and other receivables | 52,784,630 | – | 62,820 | 52,847,450 |
| Intercompany receivables | 49,053,635 | – | 1,250,140 | 50,303,775 |
| | 110,946,269 | – | 1,420,721 | 112,366,990 |
| **Financial liabilities** | | | | |
| Borrowings | (5,027,112) | – | – | (5,027,112) |
| Intercompany payables | (50,303,775) | – | – | (50,303,775) |
| Other financial liabilities | (11,294,089) | (4,513,320) | (15,145) | (15,822,554) |
| | (66,624,976) | (4,513,320) | (15,145) | (71,153,441) |
| **Net financial assets/(liabilities)** | 44,321,293 | (4,513,320) | 1,405,576 | 41,213,549 |
| Less: Net non-financial liabilities | 144,004 | – | 1,341,538 | 1,485,542 |
| **Net assets/(liabilities)** | 44,465,297 | (4,513,320) | 2,747,114 | 42,699,091 |
| **Currency profile including non-financial assets and liabilities** | 44,465,297 | (4,513,320) | 2,747,114 | 42,699,091 |
| **Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies** | – | (4,513,320) | – | (4,513,320) |

As at 31 December 2014, if the USD strengthened/weakened against SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the Group's profit after tax would have been lower/higher by about $27,000 (2013: $187,000).

The Company has no currency risk exposure as all the financial assets and liabilities are dominated in Singapore dollar, the Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

*(a) Market risk (Continued)*

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risks are primarily from short-term deposits that will mature from one to twelve months and from bank borrowings. These short-term bank deposits are placed on a short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against interest rate fluctuations.

The effective interest rates for short-term bank deposits are 0.47% (2013: 0.25%) per annum. Any significant movement in the interest rates is not likely to have material effect to the Group.

The weighted average effective interest rates for bank borrowings are 5.25% per annum. If interest rates increase/decrease by 1%, the effect on the Group's result will not be material.

*(b) Credit risk*

Credit risk refers to the risk that counter-parties will default on their contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of focusing on government projects due to its low default risk on payments. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the directors based on going credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by directors. The trade receivables of the Group comprise of 3 debtors (2013: 1 debtor) that represented more than 80% (2013: 64%) of trade receivables.

As the Group does 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 balance sheet.

The credit risk for trade receivables, due from customers on construction contracts and retention receivables based on the information provided to key management is as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| By geographical areas | | |
| Singapore | **46,780,699** | 51,554,055 |
| Malaysia | **18,885** | 61,242 |
| By types of customers | | |
| Non-related parties | **46,799,584** | 51,615,297 |

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

*(b) Credit risk (Continued)*

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

There were no trade receivables past due or impaired that were re-negotiated during the financial year.

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

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

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Past due < 3 months | **5,292,472** | 2,505,809 |
| Past due 3 to 6 months | **75,927** | 71,781 |
| Past due over 6 months | **18,885** | – |
| | **5,387,284** | 2,577,590 |

There are no trade receivables determined to be past due and impaired as the Group has received the payments from customers after the respective financial year ends.

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and flexibility through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group for managing liquidity risks included cash and short-term deposits as disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

*(c) Liquidity risk (Continued)*

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

| | Less than 1 year $ | Between 1 and 2 years $ | Between 2 and 5 Years $ |
|---|---|---|---|
| Group | | | |
| **At 31 December 2014** | | | |
| Trade and other payables | **14,897,537** | **–** | **–** |
| Borrowings | **1,782,800** | **5,629,987** | **–** |
| | **16,680,337** | **5,629,987** | **–** |
| **At 31 December 2013** | | | |
| Trade and other payables | 15,822,554 | – | – |
| Borrowings | 280,508 | 250,000 | 5,157,534 |
| | 16,103,062 | 250,000 | 5,157,534 |
| Company | | | |
| **At 31 December 2014** | | | |
| Trade and other payables | **2,769,017** | **–** | **–** |
| Borrowings | **250,000** | **5,157,534** | **–** |
| | **3,019,017** | **5,157,534** | **–** |
| **At 31 December 2013** | | | |
| Trade and other payables | 1,645,481 | – | – |
| Borrowings | 250,000 | 250,000 | 5,157,534 |
| | 1,895,481 | 250,000 | 5,157,534 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial risk factors** (Continued)

*(d) Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder's value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as total equity plus net debt.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Net debt | **19,393,779** | 12,180,751 |
| Total equity | **44,233,325** | 42,699,091 |
| Total capital | **63,627,104** | 54,879,842 |
| Gearing ratio | **30%** | 22% |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014.

*(e) Financial instruments by category*

The carrying amount of the different categories of financial instruments is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| Loans and receivables | **52,043,789** | 62,063,215 | **10,834,187** | 11,640,817 |
| Financial liabilities at amortised cost | **21,902,790** | 20,849,666 | **7,769,017** | 6,645,481 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 28. SEGMENT INFORMATION

Management has determined the operating segments that are used to make strategic decisions. Currently, the business segments operate in Singapore and Malaysia.

**Primary reporting format – business segments:**

| | Structural Steel $ | Tunnelling $ | Total $ |
|---|---|---|---|
| 2014 | | | |
| **Sales** | **24,493,896** | **6,718,249** | **31,212,145** |
| **Cost of works** | **(22,431,795)** | **(4,995,636)** | **(27,427,431)** |
| **Gross profit** | **2,062,101** | **1,722,613** | **3,784,714** |
| Other losses, net | | | **(482,737)** |
| Administrative expenses | | | **(2,272,685)** |
| Finance expenses | | | **(273,157)** |
| Share of profit of an associated company | | | **712,338** |
| Profit before tax | | | **1,468,473** |
| Income tax credit | | | **64,044** |
| **Net profit** | | | **1,532,517** |
| Net profit includes: | | | |
| – Depreciation (Note 15) | | | **88,581** |
| **Segment assets** | **45,268,224** | **1,312,164** | **46,580,388** |
| Total assets includes: | | | |
| – Additions to property, plant and equipment (Note 15) | | | **199,716** |
| **Segment liabilities** | **5,176,654** | **222,054** | **5,398,708** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 28. SEGMENT INFORMATION (CONTINUED)

**Primary reporting format – business segments:** (Continued)

| | Structural Steel $ | Tunnelling $ | Total $ |
|---|---|---|---|
| 2013 | | | |
| **Sales** | 61,546,928 | 6,210,138 | 67,757,066 |
| **Cost of works** | (51,134,778) | (5,028,515) | (56,163,293) |
| **Gross profit** | 10,412,150 | 1,181,623 | 11,593,773 |
| Other losses, net | | | (197,533) |
| Administrative expenses | | | (2,406,832) |
| Finance expenses | | | (98,289) |
| Profit before tax | | | 8,891,119 |
| Income tax expense | | | (1,187,776) |
| **Net profit** | | | 7,703,343 |
| Net profit includes: | | | |
| – Depreciation (Note 15) | | | 118,104 |
| **Segment assets** | 50,227,315 | 918,124 | 51,145,439 |
| Total assets includes: | | | |
| – Additions to property, plant and equipment (Note 15) | | | 1,382,971 |
| **Segment liabilities** | 14,033,351 | 319,758 | 14,353,109 |

The management assesses the performance of the operating segments based on gross profits. Administrative expenses and other income are not allocated to segments as these expenses are driven by the Group corporate activities.

**Reportable segments' assets are reconciled to total assets as follows:**

For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the trade receivables attributable to each segment. All assets are allocated to reportable segments other than cash and cash equivalents, other receivables, deposits and prepayments, inventories, property, plant and equipment and investment in associated company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 28. SEGMENT INFORMATION (CONTINUED)

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

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Segment assets for reportable segments | **46,580,388** | 51,145,439 |
| Other segment assets | **219,196** | 469,858 |
| Unallocated: | | |
| – Cash and cash equivalents | **2,686,824** | 9,215,765 |
| – Other receivables | **2,027,914** | 547,028 |
| – Deposits and prepayments | **548,127** | 719,893 |
| – Inventories | **9,487,866** | 1,446,561 |
| – Property, plant and equipment | **1,598,972** | 1,512,206 |
| – Investment in associated company | **3,194,229** | – |
| | **66,343,516** | 65,056,750 |

**Reportable segments' liabilities are reconciled to total liabilities as follows:**

For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the payables attributable to each segment. All liabilities are allocated to reportable segments other than other payables, accrued operating expenses, income tax liabilities, deferred income tax liabilities, finance lease liabilities, borrowings, convertible bond and amount due from associated company.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Segment liabilities for reportable segments | **5,398,708** | 14,353,109 |
| Other segment liabilities | **550,265** | 289,785 |
| Unallocated: | | |
| – Other payables | **7,505,051** | 212,633 |
| – Accrued operating expenses | **1,544,261** | 1,513,877 |
| – Income tax liabilities | **14,889** | 933,626 |
| – Deferred income tax liabilities | **14,699** | 27,517 |
| – Finance lease liabilities | **–** | 27,112 |
| – Borrowings | **2,005,253** | – |
| – Convertible bond | **5,000,000** | 5,000,000 |
| – Amount due to associated company | **77,065** | – |
| | **22,110,191** | 22,357,659 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 28. SEGMENT INFORMATION (CONTINUED)

### Geographical information

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

- Singapore – the Company is 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 | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Singapore | **28,946,357** | 67,650,671 |
| Malaysia | **2,265,788** | 106,395 |
| | **31,212,145** | 67,757,066 |

| | Non-current assets | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Singapore | **3,308,208** | 172,407 |
| Malaysia | **1,484,993** | 1,339,799 |
| | **4,793,201** | 1,512,206 |

### Revenue from major customers

Aggregate revenue of $16,700,000 (2013: $56,250,000) are derived from 2 customers (2013: 2) that individually contributed 10% or more in the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

*Effective for annual periods beginning on or after 1 July 2014*
– FRS 19 Defined Benefit Plans: Employee Contributions

*Effective for annual periods beginning on or after 1 January 2015*
– Improvements to FRSs (January 2014)
  – FRS 103 Business Combinations
  – FRS 108 Operating Segments
  – FRS 16 Property, Plant and Equipment
  – FRS 24 Related Party Disclosures
  – FRS 38 Intangible Assets

– Improvements to FRSs (February 2014)
  – FRS 103 Business Combinations
  – FRS 113 Fair Value Measurement

*Effective for annual periods beginning on or after 1 January 2016*
– Amendments to FRS 1: Disclosure Initiative
– Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
– Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception
– Improvements to FRSs (November 2014)
  – FRS 107 Financial Instruments: Disclosures
  – FRS 19 Employee Benefits

*Effective for annual period beginning on or after 1 January 2017*
– FRS 115 Revenue from Contracts with Customers

*Effective for annual period beginning on or after 1 January 2018*
– FRS 109 Financial Instruments

Except for FRS 115, the management anticipates that the adoption of the above FRSs and amendments to FRS in the future period will not have material impact on the financial statements of the Group and of the Company in the period of initial adoption.

## 30. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Kori Holdings Limited and its subsidiaries for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2015.

# SHAREHOLDINGS STATISTICS

AS AT 31 MARCH 2015

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 31 MARCH 2015

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1–99 | 0 | 0.00 | 0 | 0.00 |
| 1,00–1,000 | 7 | 4.46 | 3,000 | 0.00 |
| 1,001–10,000 | 39 | 24.84 | 267,500 | 0.27 |
| 10,001–1,000,000 | 97 | 61.78 | 12,257,900 | 12.36 |
| 1,000,001 and above | 14 | 8.92 | 86,671,600 | 87.37 |
| Total | 157 | 100.00 | 99,200,000 | 100.00 |

## LIST OF 20 LARGEST REGISTERED SHAREHOLDERS AS AT 31 MARCH 2015

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | CIMB SECURITIES (SINGAPORE) PTE LTD | 18,713,000 | 18.86 |
| 2 | HOOI YU KOH | 16,908,000 | 17.04 |
| 3 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 14,924,600 | 15.04 |
| 4 | KORI NOBUAKI | 8,536,000 | 8.60 |
| 5 | HONG LEONG FINANCE NOMINEES PTE LIMITED | 6,386,000 | 6.44 |
| 6 | MAYBANK NOMINEES (SINGAPORE) PTE LTD | 3,042,000 | 3.07 |
| 7 | MAYBANK KIM ENG SECURITIES PTE LTD | 2,876,000 | 2.90 |
| 8 | UOB KAY HIAN PTE LTD | 2,606,000 | 2.63 |
| 9 | UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED | 2,599,000 | 2.62 |
| 10 | LAU ENG TIONG | 2,353,000 | 2.37 |
| 11 | TAN TIN NAM | 2,192,000 | 2.21 |
| 12 | SIA LING SING | 2,172,000 | 2.19 |
| 13 | TAN WIL LING | 1,905,000 | 1.92 |
| 14 | OW YEOW BUNG | 1,459,000 | 1.47 |
| 15 | LIM EWE GHEE | 911,800 | 0.92 |
| 16 | OCBC SECURITIES PRIVATE LIMITED | 841,200 | 0.85 |
| 17 | LEE YENG TAT | 544,000 | 0.55 |
| 18 | TAN LEE CHING (CHEN LIZHEN) | 515,000 | 0.52 |
| 19 | TAN LEE WAH | 500,000 | 0.50 |
| 20 | LIM VOON NNA @ LIM BOON NAA | 480,000 | 0.48 |
| | Total: | 90,463,600 | 91.18 |

# SHAREHOLDINGS STATISTICS

AS AT 31 MARCH 2015

| | | |
|---|---|---|
| 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 |
| Voting rights | : | On a Poll: 1 vote for each ordinary share |

## SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2015

| | Name of Substantial Shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|---|
| 1 | Hooi Yu Koh | 16,908,000 | 17.04 | 14,924,000[(1)] | 15.04 |
| 2 | Keong Hong Holdings Limited | – | – | 15,000,000[(2)] | 15.12 |
| 3 | Kori Nobuaki | 8,536,000 | 8.60 | – | – |

**Notes:**

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

(2) The deemed interest in 15,000,000 shares are held through CIMB Securities (Singapore) Pte. Ltd.

## SHARES HELD BY PUBLIC

Based on the information provided to the Company as at 31 March 2015, approximately 44.19% 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.

# NOTICE OF
# ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Kori Holdings Limited (the "**Company**") will be held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on Wednesday, 29 April 2015 at 2.00 p.m. for the following purposes:

**As Ordinary Business**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve the proposed first and final dividend of S$0.005 per ordinary share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect Mr Kori Nobuaki, who is retiring pursuant to Article 93 of the Articles of Association of the Company. *[See Explanatory Note (a)]* **(Resolution 3)**

4. To re-elect Mr Nicholas Philip Lazarus, who is retiring pursuant to Article 93 of the Articles of Association of the Company.

   *Mr Nicholas Philip Lazarus will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. The Board considers him to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")("**Catalist Rules**").*
   *[See Explanatory Note (b)]* **(Resolution 4)**

5. To approve the payment of Directors' fees amounting to S$100,100 for the financial year ending 31 December 2015, payable quarterly in arrears. **(Resolution 5)**

6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

**As Special Business**

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

8. **Authority to Allot and Issue Shares**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

(II) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed one hundred per cent (100%) of the total number of issued Shares in the capital of the Company (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) in the next page);

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

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

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

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

# NOTICE OF
# ANNUAL GENERAL MEETING

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
*[See Explanatory Note 1]* **(Resolution 7)**

9. **Authority to allot and issue shares under the Kori Employee Share Option Scheme (the "Share Option Scheme")**

That pursuant to Section 161 of the Act, authority be and is hereby given to the Directors of the Company to offer and grant options ("**Options**") in accordance with the provisions of the Share Option Scheme and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the exercise of Options, provided always that the aggregate number of Shares to be allotted and issued pursuant to the Share Option Scheme, when added to the number of Shares issued and issuable in respect of all Options granted under the Share Option Scheme (including the Performance Share Plan (as defined herein), and any other share option schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued Shares (including treasury shares) on the date preceding the date of the relevant grant of an Option.
*(See Explanatory Note 2)* **(Resolution 8)**

10. **Authority to allot and issue shares under the Kori Performance Share Plan (the "Performance Share Plan")**

That pursuant to Section 161 of the Act, authority be and is hereby given to the Directors of the Company to grant awards ("**Awards**") in accordance with the provisions of the Performance Share Plan and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the the Awards granted under the Performance Share Plan, provided always that aggregate number of Shares to be allotted and issued pursuant to the Performance Share Plan, and the total number of existing Shares which may be purchased from the market for delivery pursuant to the Awards granted under the Performance Share Plan, when added to the number of Shares issued and issuable in respect of all Awards granted under the Performance Share Plan, and including the Share Option Scheme and any other share option schemes of the Company, shall not exceed fifteen per cent. (15%) of the total issued Share (including treasury shares) on the date preceding the date of the grant of the relevant Awards.
*(See Explanatory Note 3)* **(Resolution 9)**

11. **The Proposed Renewal of the Share Purchase Mandate**

(I) That for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorized to exercise all the powers of the Company to purchase or otherwise acquire the Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(a) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

# NOTICE OF
# ANNUAL GENERAL MEETING

(b) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Catalist Rules and the Act;

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

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

(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 by the Company 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;

(III) for the purposes of this Resolution:

"**Maximum Limit**" means that number of issued Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered by such capital reduction (excluding any treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit;

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution 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 Share Purchase Mandate, or the date the said mandate is revoked or varied by the Company in a general meeting;

# NOTICE OF ANNUAL GENERAL MEETING

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

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

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price,

where:

"**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 Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**day of the making of the offer**" means the day 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; and

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

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

(VI) That the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
*(See Explanatory Note 4)* **(Resolution 10)**

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
14 April 2015

# NOTICE OF ANNUAL GENERAL MEETING

**Notes:**

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

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

4. The instrument appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898, not less than 48 hours before the time appointed for holding the AGM.

**Explanatory Note:**

(a) Information on Mr Kori Nobuaki can be found on page 7 of the annual report.

(b) Information on Mr Nicholas Philip Lazarus can be found on pages 7 and 8 of the annual report.

(1) The Resolution 7 in item 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and/or convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 7, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 7 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7.

(2) The Resolution 8 in item 9, if passed, will empower the Directors, from the date of the AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the exercise of Options granted or to be granted under the Share Option Scheme and such other share-based incentive scheme or share plan up to a number not exceeding, in total, fifteen per cent. (15%) of the total number of issued Shares (including treasury shares) on the date preceding the date of the relevant grant.

(3) The Resolution 9 in item 10, if passed, will empower the Directors, from the date of the AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the vesting of Awards under the Performance Share Plan and such other share-based incentive scheme or share plan (including the total number of existing Shares which may be purchased from the market for delivery pursuant to the Awards granted) up to a number not exceeding, in total, fifteen per cent. (15%) of the total number of issued Shares (including treasury shares) on the date preceding the date of the relevant grant.

(4) The Resolution 10 proposed in item 11 above, if passed, will empower the Directors of the Company, from the date of the AGM until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Ordinary Resolution 10. Details the proposed renewal of the Share Purchase Mandate are set out in the Appendix accompany this annual report.

# NOTICE OF ANNUAL GENERAL MEETING

**Personal data privacy:**

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**APPENDIX TO THE ANNUAL REPORT 2014**

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

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 2014. Its purpose is to provide shareholders with the relevant information relating to the proposed renewal of the share purchase mandate and to seek shareholders' approval for the same at the Annual General Meeting of the Company to be held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on 29 April 2015 at 2.00 p.m..

**If you are in doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Appendix together with the notice of Annual General Meeting and the accompanying proxy from immediately to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

**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

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# DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Appendix:

| | |
|---|---|
| **"ACRA"** | Accounting and Corporate Regulatory Authority of Singapore |
| **"Act" or the "Companies Act"** | The Companies Act (Chapter 50) of Singapore, as may be amended and/or supplemented from time to time |
| **"AGM"** | The annual general meeting of the Company to be convened and held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on 29 April 2015 at 2.00 p.m., notice of which is set out on pages 95 to 101 of the Annual Report 2014 |
| **"Annual Report 2014"** | The annual report of the Company for FY2014 |
| **"Appendix"** | This appendix to Shareholders dated 14 April 2015 |
| **"Articles"** | The Articles of Association of the Company, as amended from time to time |
| **"Associate"** | (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:<br>(i) his immediate family;<br>(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<br>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more<br>(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 approved by the Shareholders of the Company on 26 April 2013. At a general meeting held on 25 April 2014, approval from Shareholders was obtained for the Kori Performance Share Plan to continue in force until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier. |
| **"Board of Directors"** | The Board of Directors of the Company for the time being |
| **"Catalist"** | The sponsored-supervised listing platform of the SGX-ST |
| **"Catalist Rules"** | The Listing Manual (Section B: Rules of Catalist) of the SGX-ST, as amended or modified from time to time |
| **"CDP"** | The Central Depository (Pte) Limited |
| **"Company"** | Kori Holdings Limited |

| | |
|---|---|
| **"Controlling Shareholder"** | A person who:<br><br>(a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company; or<br><br>(b) in fact exercises control over the Company |
| **"Convertible Bond"** | The unsecured, 3-year, 5% convertible bond issued by the Company to Keong Hong Holdings Limited on 19 August 2013 with a principal amount of S$5 million, which may be converted at the option of Keong Hong Holdings Limited into Shares of the Company from 31 December 2013 till 18 August 2016, at a conversion price of S$0.42. As at the Latest Practicable Date, the Convertible Bond has yet to be converted. |
| **"Director(s)"** | The director(s) of the Company for the time being |
| **"EPS"** | Earnings per Share |
| **"FY"** | The financial year ended 31 December |
| **"Group"** | The Company and its subsidiaries, collectively |
| **"Latest Practicable Date"** | 31 March 2015, being the latest practicable date prior to the printing of this Appendix |
| **"Market Day"** | A day on which the SGX-ST is open for trading in securities |
| **"NTA"** | Net tangible assets |
| **"Options"** | Options to subscribe for ordinary shares of the Company issued pursuant to the Kori Employee Share Option Scheme approved by the Shareholders on 26 April 2013. At a general meeting held on 25 April 2014, approval from Shareholders was obtained for the Kori Employee Share Option Scheme to continue in force until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier. |
| **"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 |
| **"SGX-ST"** | Singapore Exchange Securities Trading Limited |
| **"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"** | Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context 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 |
| **"Sponsor"** | PrimePartners Corporate Finance Pte. Ltd. |
| **"Substantial Shareholder"** | A Shareholder who holds directly or indirectly 5% or more of the total issued and voting share capital of the Company |
| **"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 |
| **"%"** or **"per cent"** | Per centum or percentage |
| **"S$"** and **"cents"** | Singapore dollar and cents respectively |

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

The term "**subsidiary**" shall have the meaning ascribed to it under Section 5 of the Act.

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, where applicable, include corporations.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted.

Any word defined in the Act or the Catalist Rules, or any statutory modification thereof and used in this Appendix shall have the meaning assigned to it under the Act or the Catalist Rules, or such statutory modification, as the case may be, unless the context otherwise requires.

Any discrepancies in figures included in this Appendix between the amounts 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.

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

# KORI HOLDINGS LIMITED

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

| **Directors** | **Registered Office:** |
|---|---|
| Kori Nobuaki (Chairman and Executive Director) | 11 Sims Drive |
| Hooi Yu Koh (CEO and Managing Director) | #06-01 SCN Centre |
| Nicholas Philip Lazarus (Independent Director) | Singapore 387385 |
| Kuan Cheng Tuck (Independent Director) | |
| Lim Yeok Hua (Independent Director) | |

14 April 2015

To: The Shareholders of the Company

Dear Sir/Madam,

## 1. INTRODUCTION

The Company's existing Share Purchase Mandate was approved by Shareholders at the annual general meeting of the Company held on 25 April 2014 and will expire on the date of the forthcoming AGM to be held on 29 April 2015. Accordingly, the Directors are proposing to seek Shareholders' approval at the forthcoming AGM for the proposed renewal of the Share Purchase Mandate.

The purpose of this Appendix is to provide Shareholders with information relating to, and to seek their approval for, the proposed renewal of the Share Purchase Mandate at the AGM to be held on 29 April 2015 at 2.00 p.m.. The notice of the AGM is set out on pages 95 to 101 of the Annual Report 2014.

Shareholders are advised that the Sponsor and the SGX-ST assume no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this Appendix.

## 2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

### 2.1 Introduction

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 Articles. Any purchase of Shares by the Company will have to be made in accordance with, and in the manner prescribed by the Act, the Articles and the Catalist Rules and such other laws and regulations as may for the time being, be applicable.

It is a requirement under the Act and the Catalist Rule 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-back 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 Group, the prevailing market conditions, liquidity and orderly trading of the Shares. The Directors are committed to ensuring that any share buy-back 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 renewed Share Purchase Mandate, if approved at the AGM, are summarised below:

2.3.1 Maximum Number of Shares

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

The total number of Shares that may be purchased or acquired by the Company 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). For purposes of calculating the percentage of Shares referred to above, any of the Shares which are held as Treasury Shares will be disregarded.

**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, vesting of Awards or conversion of the Convertible Bond, 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.

2.3.2 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.

2.3.3 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 Articles, as they consider fit in the interests of the Company and/or Shareholders in connection with or in relation to any equal access scheme. An Off-Market Purchase must, however, satisfy all of the following conditions:

(a) 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;

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

(c) 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.

2.3.4 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 after the relevant five (5) Market Days.

"**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.

2.3.5 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.

**2.4 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:

2.4.1 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.

2.4.2 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.

2.4.3 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's 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;

(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.

**2.5 Reporting Requirements**

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.

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.

**2.6 Source of Funds**

The Company may only apply funds legally available for the purchase or acquisition of Shares in accordance with the Articles 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.

Pursuant to Section 76F(4) of the Act, a company is solvent if (a) it is able to pay its debts in full at the time of payment and will be able to pay its debts as they fall due in the normal course of business during the twelve (12) months following such date of payment; and (b) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after any purchase of shares for purposes of any proposed acquisition or release of the company's obligations, become less than the value of its liabilities (including contingent liabilities). 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 estimation 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.

**2.7 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 FY2014 are set out below.

2.7.1 <u>Purchase or Acquisition out of Capital or Profits</u>

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 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.

2.7.2 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, S$4.77 million based on the Maximum Price of S$0.48 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 the Latest Practicable Date); and

(b) in the case of Off-Market Purchase of Shares, S$5.00 million based on the Maximum Price of S$0.50 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 the Latest Practicable Date).

2.7.3 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 profits 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 proportionately 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.

2.7.4 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, vesting of Awards or conversion of the Convertible Bond;

(b) the Company has as at 31 December 2014:

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

(ii) cash and cash equivalents of approximately S$153,300;

(c) cash of S$1.40 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 a combination of internal sources of funds and external borrowings as follows,

(i) in the case of Market Purchase of Shares, S$1.5 million via internal funds and approximately S$3.3 million via a short-term loan from a financial institution to the Company prior to the purchase or acquisition of Shares by the Company; and

(ii) in the case of Off-Market Purchase of Shares, S$1.5 million via internal funds and approximately S$3.5 million via a short-term loan from a financial institution to the Company prior to the purchase or acquisition of Shares by the Company,

and based on the audited financial statements of the Group for the FY2014, 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 below; or (ii) out of profits in Table C below:

| 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 | 0.48 | 9,920,000 | 10% |
| 1(B) | Market | Cancelled | 0.48 | 9,920,000 | 10% |
| 1(C) | Off-Market | Held as Treasury Shares | 0.50 | 9,920,000 | 10% |
| 1(D) | Off-Market | Cancelled | 0.50 | 9,920,000 | 10% |

**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 2014 | Pro-forma Financial Effects as at 31 December 2014 for Scenarios in Table A | | | |
|---|---|---|---|---|---|
| | | 1(A) | 1(B) | 1(C) | 1(D) |
| Share Capital (S$'000) | 32,291 | 32,291 | 27,520 | 32,291 | 27,293 |
| Accumulated earnings (S$'000) | 37,574 | 37,574 | 37,574 | 37,574 | 37,574 |
| Merger reserves (S$'000) | (25,628) | (25,628) | (25,628) | (25,628) | (25,628) |
| Currency translation reserve (S$'000) | (4) | (4) | (4) | (4) | (4) |
| Treasury Shares (S$'000) | – | (4,771) | – | (4,998) | – |
| Total Equity (S$'000) | 44,233 | 39,462 | 39,462 | 39,235 | 39,235 |
| Net Tangible Assets (***NTA***) – (S$'000) | 44,233 | 39,462 | 39,462 | 39,235 | 39,235 |
| Current Assets (S$'000) | 61,550 | 60,050 | 60,050 | 60,050 | 60,050 |
| Current Liabilities (S$'000) | 16,623 | 19,923 | 19,923 | 20,123 | 20,123 |
| Borrowings (S$'000) | 7,005 | 10,305 | 10,305 | 10,505 | 10,505 |
| 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$'000) | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 |
| Financial Ratios | | | | | |
| NTA per Share[(3)] (S$) | 0.45 | 0.44 | 0.44 | 0.44 | 0.44 |
| Current Ratio (times) | 3.70 | 3.01 | 3.01 | 2.98 | 2.98 |
| Gearing (times) | 0.16 | 0.26 | 0.26 | 0.27 | 0.27 |
| EPS[(4)] (S$) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |

**Notes:**

(1) Excluding Shares that are held in treasury or cancelled.

(2) Assumed share buy back was done on 1 January 2014.

(3) NTA per Share equals to NTA divided by the number of Shares outstanding as at 31 December 2014.

(4) Earnings per Share ("**EPS**") is calculated based on net profit for the financial year divided by weighted average number of Shares.

**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 2014 | Pro–forma Financial Effects as at 31 December 2014 for Scenarios in Table A | | | |
|---|---|---|---|---|---|
| | | 1(A) | 1(B) | 1(C) | 1(D) |
| Share Capital (S$'000) | 32,291 | 32,291 | 32,291 | 32,291 | 32,291 |
| Accumulated earnings (S$'000) | 37,574 | 37,574 | 32,803 | 37,574 | 32,576 |
| Merger reserves (S$'000) | (25,628) | (25,628) | (25,628) | (25,628) | (25,628) |
| Currency translation reserve (S$'000) | (4) | (4) | (4) | (4) | (4) |
| Treasury Shares (S$'000) | – | (4,771) | – | (4,998) | – |
| Total Equity (S$'000) | 44,233 | 39,462 | 39,462 | 39,235 | 39,235 |
| Net Tangible Assets (***NTA***) – (S$'000) | 44,233 | 39,462 | 39,462 | 39,235 | 39,235 |
| Current Assets (S$'000) | 61,550 | 60,050 | 60,050 | 60,050 | 60,050 |
| Current Liabilities (S$'000) | 16,623 | 19,923 | 19,923 | 20,123 | 20,123 |
| Borrowings (S$'000) | 7,005 | 10,305 | 10,305 | 10,505 | 10,505 |
| 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$'000) | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 |
| Financial Ratios | | | | | |
| NTA per Share(3) (S$) | 0.45 | 0.44 | 0.44 | 0.44 | 0.44 |
| Current Ratio (times) | 3.70 | 3.01 | 3.01 | 2.98 | 2.98 |
| Gearing (times) | 0.16 | 0.26 | 0.26 | 0.27 | 0.27 |
| EPS(4) (S$) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |

**Notes:**

(1) Excluding Shares that are held in treasury or cancelled.

(2) Assumed share buy back was done on 1 January 2014.

(3) NTA per Share equals to NTA divided by the number of Shares outstanding as at 31 December 2014.

(4) Earnings per Share ("**EPS**") is calculated based on net profit for the financial year divided by weighted average number of Shares.

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 2014, 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.**

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.

**2.8 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 paragraphs 2.9 to 2.13 below.

**2.9 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

(c) 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.

**2.10 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.

### 2.11 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 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.**

### 2.12 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 paragraph 3 below.

2.12.1 Mr Hooi Yu Koh and parties acting in concert with him

As at the Latest Practicable Date, Mr Hooi Yu Koh, the CEO and Managing Director of the Company, holds 31,832,000 Shares in the Company representing 32.08% 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.

2.12.2 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.

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.

2.12.3 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 paragraph 2.12.2 above) 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.

**2.13 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.

**2.14 Listing Status of Shares on the SGX-ST**

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.

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.

The Company is required under Rule 723 of the Catalist Rules to ensure that at least ten 10% of its Shares are in the hands of the public. The term "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 or its subsidiaries, and (ii) the Associates of such persons in (i).

As at the Latest Practicable Date, approximately 43,832,000 Shares, representing approximately 44.19% 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 33,912,000 Shares, representing 37.98% 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 Previous Share Buybacks**

The Company has not entered into transactions to purchase or acquire any Shares during the twelve (12) months immediately preceding the Latest Practicable Date.

### 2.16 Tax Implications

The following is a general overview of the Singapore tax implications of share buy-back by the Company.

**Shareholders should note that the following general overview of the Singapore tax position is not to be regarded as advice on the tax position of any Shareholder, or on any tax implications arising from the proposed Share Buy Back Mandate. 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.**

(a) Company's Treatment

Under Section 10J of the Singapore Income Tax Act (Cap 134), where a company tax resident in Singapore purchases or otherwise acquires shares issued by it from any shareholder of the company and such shares are deemed cancelled under Section 76B of the Act by way of a Market Purchase or an Off-Market Purchase, to the extent that the payment for the share buy-back is made out of the contributed capital of the company, such payment should not be regarded as a payment of dividend by the company to the shareholders, and an amount equal to the payment shall be debited to the contributed capital account kept by the company. However, to the extent that the payment for the share buy-back is not made out of the contributed capital of the company, such payment should be deemed to be a dividend paid by the company on the date of the payment.

As the Company is a tax resident in Singapore for Singapore income tax purposes and is under the one-tier corporate tax regime, to the extent that the payment for the share buy-back is not made out of the contributed capital of the Company, the payment should be deemed as a dividend paid by the Company on the date of the payment and the dividend should be treated as a tax exempt (one-tier) dividend.

(b) Shareholder's Treatment

From a shareholder's perspective, the tax treatment of the receipt from a share buy-back would depend on whether the sale is by way of a Market Purchase or an Off-Market Purchase. A sale by a shareholder of his shares through a normal ready market counter will be treated like any other sale made on the SGX-ST, and not as a dividend. Whether the proceeds from such a sale are taxable in the hands of the shareholder will depend on whether such proceeds are receipts of an income or a capital nature.

Proceeds received in an Off-Market Purchase effected by way of an equal access scheme as defined in Section 76C of the Act will be treated as a receipt of a dividend in the hands of the shareholder if the payment for the share buy-back is not made out of the contributed capital of the Company. In the case where the consideration received pursuant to the share buy-back is treated as a tax exempt (one-tier) dividend in the hands of a shareholder, the dividend should be exempt from Singapore income tax in the hands of that shareholder (both resident and non-resident) in Singapore.

### 2.17 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 or 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. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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, 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, will be as follows:

| | **Before Share Purchase (as at the Latest Practicable Date) (Number of Shares)** | | | **Before Share Purchase (%)** | **After Share Purchase (%)** |
|---|---|---|---|---|---|
| **Name** | **Direct Interest** | **Deemed Interest** | **Total Interest** | | |
| **Directors** | | | | | |
| Kori Nobuaki | 8,536,000 | – | 8,536,000 | 8.60% | 9.56% |
| Hooi Yu Koh | 16,908,000 | 14,924,000[1] | 31,832,000 | 32.08% | 35.65% |
| Kuan Cheng Tuck | – | – | – | – | – |
| Lim Yeok Hua | – | – | – | – | – |
| Nicholas Philip Lazarus | – | – | – | – | – |
| **Substantial Shareholder** (other than Directors) | | | | | |
| Keong Hong Holdings Limited | – | 15,000,000[2] | 15,000,000 | 15.12% | 16.80% |

**Notes:**

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

(2) The deemed interest in 15,000,000 shares are held through CIMB Securities (Singapore) Pte Ltd.

## 4. ANNUAL GENERAL MEETING

The AGM, notice of which is set out on pages 95 to 101 of the Annual Report 2014, will be held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on 29 April 2015 at 2.00 p.m.. for the purpose of considering and, if thought fit, passing, with or without modification the ordinary resolution set out in the notice of AGM.

## 5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the proxy form attached to the notice of AGM in accordance with the instructions printed therein 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 forty-eight (48) hours before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes in place of the proxy.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP at least forty-eight (48) hours before the AGM.

The Relevant Parties will abstain from voting at the AGM in respect of the resolution relating to the Share Purchase Mandate pursuant to the conditions under Appendix 2 of the Take-over Code as set out in paragraph (c) of paragraph 2.12.2 above. Furthermore, such persons shall not act as proxies in relation to such resolution unless specific voting instructions have been given.

**6. DIRECTORS' RECOMMENDATIONS**

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) of paragraph 2.12.2 above), having carefully considered the terms and rationale of the proposed renewal of the Share Purchase Mandate, are of the opinion that 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.

**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 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 the 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 the Appendix in its proper form and context.

**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 11 Sims Drive #06-01 SCN Centre, Singapore 387385 during normal business hours from the date hereof up to and including the date of the AGM:

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

(b) the Annual Report 2014.

Yours faithfully,
For and on behalf of the Board of Directors

**Kori Holdings Limited**
Hooi Yu Koh
CEO and Managing Director
Singapore

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**KORI HOLDINGS LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration No. 201212407R)

**PROXY FORM**

I/We, ____________________ (name) ____________________ (NRIC/Passport No./Company Registration No.) of ____________________

____________________ (address) being a *member/members of Kori Holdings Limited (the "Company"), hereby appoint:

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

* and/or

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

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on Wednesday, 29 April 2015 at 2.00 p.m. and at any adjournment thereof.

** Delete as appropriate*

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

| **Ordinary Resolutions** | **ORDINARY BUSINESS** | **For** | **Against** |
|---|---|---|---|
| Resolution 1 | To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and the Auditors thereon | | |
| Resolution 2 | To approve the proposed first and final dividend of S$0.005 per ordinary share for the financial year ended 31 December 2014. | | |
| Resolution 3 | To re-elect Mr Kori Nobuaki as a Director of the Company | | |
| Resolution 4 | To re-elect Mr Nicholas Philip Lazarus as a Director of the Company | | |
| Resolution 5 | To approve the payment of Directors' Fees for the financial year ending 31 December 2015, payable quarterly in arrears | | |
| Resolution 6 | To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| | **SPECIAL BUSINESS** | **For** | **Against** |
| Resolution 7 | To approve the authority to allot and issue shares | | |
| Resolution 8 | To approve the authority to allot and issue shares under the Kori Employee Share Option Scheme | | |
| Resolution 9 | To approve the authority to allot and issue shares under the Kori Performance Share Plan | | |
| Resolution 10 | To approve the proposed renewal of the Share Purchase Mandate | | |

Date this ____________ day of ____________________ 2015

| Total Number of Shares held in: | |
|---|---|
| CDP Register | |
| Register of Members | |

______________________________

Signature(s) of members(s) or Common Seal

**NOTES:**
**IMPORTANT**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time set for the general meeting.

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

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

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

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**Kori Holdings Limited**

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