



ANNUAL REPORT
2020

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This annual report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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 **MISSION STATEMENT**

OUR MISSION STATEMENT applies regardless of business units. We strive to achieve our mission by adhering to our core values of commitment, integrity and professionalism – factors necessary for success and the attainment of excellence.

CHAIRMAN & EXECUTIVE DIRECTOR'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present our annual report for the financial year ended 31 December 2020 (“**FY2020**”).

2020 was a difficult year for the construction industry. Notwithstanding the challenging operating environment, we are pleased to inform our shareholders that Koyo International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), achieved a positive performance with a net profit of \$0.4 million for FY2020. This result is testament to the sound fundamentals of the Group and it is our pleasure to share with shareholders another positive year for the Group.

FINANCIAL REVIEW

Total revenue for FY2020 was \$16.9 million, a 15.3% decrease as compared to that for the financial year ended 31 December 2019 (“**FY2019**”). Net profit was \$0.4 million, a 7.9% increase from FY2019. The decrease in total revenue was mainly due to the circuit breaker measures imposed by Singapore Government to curb the spread of the Covid-19 pandemic and the subsequently slow resumption of construction activities with the implementation of safe management measures on sites.

As a result of prudent management of our projects, careful costs and cash flow management, the Group was able to maintain a healthy balance of its cash and cash equivalents amounting to \$17.8 million as at 31 December 2020. Our sound financial position will allow the Group to ride out of the headwinds.

DIVIDEND

In appreciation of our shareholders’ long-term support and on account of the positive results, the Board is recommending a first and final (tax-exempt) dividend of \$0.0005 per share, to be approved by shareholders in the forthcoming Annual General Meeting to be held on 27 April 2021, 2.00 p.m.

SHARE BUYBACK AND EMPLOYEE SHARE OPTION SCHEME

The Company did not purchase any of its own shares during FY2020. In addition, no share options were granted to employees during the year under review.

There are no outstanding share options under the Koyo International Share Option Scheme 2011 as at 31 December 2020.

OUTLOOK

The Group believes that the outlook for the construction sector will be challenging for 2021 in view of the continued uncertainties in the external environment and negative economic outlook in Singapore and major economies around the world impacted by Covid-19. All of these constraints make tenders far more competitive and profitability far lesser than were the cases previously.

Nevertheless, despite the strong headwinds, we believe that our proven track record and reputation, sound financial position, experienced professional management team, and secured pipeline of projects, will allow the Group to be well-positioned to ride out these difficulties.

CORPORATE DEVELOPMENTS

In April 2020, we were awarded a contract with a contract sum of approximately S\$31 million for 39 months commencing on 8 June 2020. With this contract, the Group has contracts on hand that are collectively valued at approximately \$127 million. These are multi-year contracts with completion dates ranging from financial years 2021 to 2026. In addition to the already secured contracts, the Group will also regularly tender for new projects and follow up on opportunities. The Group will continue to explore opportunities for revenue or profit accretive acquisitions, and innovative practices to improve productivity and revenue. However, given the challenging economic environment in the construction sector and the Covid-19 pandemic, we are observing lesser projects being made available for public tender.

CHAIRMAN & EXECUTIVE DIRECTOR'S MESSAGE



In August 2020, we had completed the acquisition of the leasehold property at 4 Kwong Min Road Singapore 628707. Currently, part of premises is temporarily sub-let and we are waiting for Jurong Town Corporation's ("JTC") approval for an extension of the lease term.

APPRECIATION

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

Lastly, we would also like to thank our valued shareholders, customers, suppliers and sub-contractors for their continued loyalty and support. Our heartfelt appreciation also goes to management and all staff for their commitment to the Group.

WONG LOKE TAN

Independent Non-Executive Chairman

FOO SUAY WEI

Executive Director

12 April 2021

BUSINESS OVERVIEW



Koyo International Limited (the “**Company**” or “**Koyo**”) has been listed on the Catalist of the SGX-ST since 2009 (the “**Listing**”). Since our Listing, Koyo is always actively reviewing its businesses in search of new opportunities and markets with the aim of focusing on high value products and services with long term potential to complement its growth. Currently, the principal activities of the Koyo and its subsidiaries (collectively, the “**Koyo Group**” or the “**Group**”) can be broadly categorised into four core business segments. These include the 1) provision of mechanical and electrical (“**M&E**”) engineering services; 2) supply of renewable energy and green products for building services; 3) property development and construction; and 4) supply of construction materials and ancillary services related to it. In the financial year ended 31 December 2020 (“**FY2020**”), the Group focused on M&E engineering services as other activities were not significant in FY2020, but we intend to expand our scope to include the Group’s other businesses in the future.

PROVISION OF MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

We offer a total solutions package which involves design, integration, build, implementation, test, commission and maintenance for our customers. This includes designing and installing of high and low-voltage electrical distribution systems, air conditioning and mechanical ventilation systems as well as fire protection systems. We also provide maintenance, repair and replacement services for commercial buildings, hotels, schools and libraries in Singapore. Our engineering designs and installation work are applicable to clients in the construction, marine, oil and gas, industrial and pharmaceutical industries. At Koyo, we aim to provide value to all customers by anticipating their every needs and problems. This will allow us to provide to our customers the best engineering solutions at the highest attainable standards, commensurating with the project requirements and budget.

RENEWABLE ENERGY AND GREEN PRODUCTS

Koyo focuses on integrating environmental engineering and clean technologies for industries. We do so by providing an innovative, practical, and total solution to our clients in order for them to promote a sustainable environment and achieve greater energy efficiency.

We possess the necessary competitive strengths needed to differentiate ourselves. We offer a full suite of clean technologies ranging from large scale solar heat collector arrays, hot water storage tanks, high-temperature heat pumps, phase change materials, non-chemical water treatment, and liquid desiccant systems. We are also able to provide a vast array of services such as design-and-build, execution, and facilities management. Koyo will always strive to provide the most effective clean technology products to suit our customers’ needs.

PROPERTY DEVELOPMENT

In 2014, Koyo obtained shareholders’ approval for expanding its business to include property development and construction, property management and property investment in order to expand its geographical scope to include countries outside of Singapore and participate in the growth prospects of the property industries in those countries. Doing so will allow the group to leverage on its existing core business, diversify its risks, and provide a new income stream.

SUPPLY OF CONSTRUCTION MATERIALS

Koyo engages in the supply of construction materials related business which includes the procurement, supply and importation of essential construction materials including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates. As part of the business of supplying construction materials, we will also engage in the ownership, acquisition and operation of mines and concession to produce and process construction materials, including but not limited to sand and granite. We will also offer a series of services such as chartering, operation and management of sea going vessels, as well as provision of marine transportation, logistics and support services, including but not limited to stevedoring and dredging services. In 2015, shareholders’ approval was obtained for the diversification of the Group’s business to include, *inter alia*, the business of supply of construction materials.

BUSINESS OVERVIEW



A summary of Koyo's products and services is as follows:

A. M&E SERVICES

1) INTEGRATED M&E ENGINEERING

- Air-conditioning and Mechanical Ventilation
- Plumbing and Sanitary Installation
- Fire Prevention and Protection System
- Integrated Monitoring and Control Systems
- High Tension Electrical Distribution Systems
- Low Tension Electrical Distribution Systems
- Communications and Security Systems
- Facility Management

2) INDUSTRIAL ENGINEERING

- **Design, Integration and Implementation of:**
 - Waste Treatment Plant
 - Dust Collector (Environmental Control) System
 - Mechanical Handling System (incl. Container Cranes)
 - Production Conveyors
 - Industrial Machines and Pipe Work
 - Cleanroom (Class 10 – 100,000)
 - Energy Saving Systems
 - Environmental Management Systems

3) OIL, GAS AND MARINE ENGINEERING

- **Provision of:**
 - Stainless Steel Piping and Ducting work
 - Equipment Installation
 - Electronics & Control Instrumentation Systems
 - Heat Ventilation Airconditioning Systems

B. RENEWABLE ENERGY AND GREEN PRODUCTS

1) SOLAR WATER HEATING

- Solar heat collector arrays
- Pressurised/Non-pressurised hot water storage tanks
- High-temperature heat pumps

2) NON-CHEMICAL WATER TREATMENT SYSTEM

- Electrostatic water treatment

3) THERMAL ENERGY

- Phase Change materials

4) DEHUMIDIFICATION AND AIR-CONDITIONING

- Liquid desiccant system
- Regenerator
- Conditioner
- Degassing system with pneumatic expansion tank
- Condensate water collection system

C. PROPERTY DEVELOPMENT AND CONSTRUCTION

- Residential buildings
- Commercial buildings
- Hotels

D. SUPPLY OF CONSTRUCTION MATERIALS AND SERVICES

- Reclamation sand
- Construction sand
- Armour rock
- Granite and other aggregates
- Stevedoring/Dredging/Shipping
- Ownership/Acquisition of mines and concessions
- Chartering
- Marine transportation
- Logistic and support service

PERFORMANCE REVIEW



REVENUE

Koyo recorded a revenue of approximately S\$16.9 million for FY2020, a 15.3% decrease from the financial year ended 31 December 2019's ("FY2019") revenue of S\$19.9 million, mainly due to circuit breaker measures and a slow resumption of construction activities with the implementation of safe management measures on sites, resulted in lower revenue arising from the mechanical engineering and facilities management segments and lower than anticipated revenue for the electrical engineering segment.

COST OF SALES

In line with the decreased revenue, cost of sales decreased by 17.8% to approximately S\$12.1 million for FY2020. Gross profit decreased by 8.1% or S\$424,000 to approximately S\$4.8 million in FY2020 as compared to FY2019.

GROSS PROFIT MARGIN

Koyo's gross profit margin strengthened by 2.2% to approximately 28.5% in FY2020. The increase was mainly due to an increase in gross profit margin for the mechanical engineering and facilities management segments. The improved gross profit margin for both segments were mainly due to the recognition of variation orders. The electrical engineering segment has lower gross profit margin as new projects were secured at competitive prices.

PROFIT BEFORE TAX

The Group recorded a pre-tax profit of S\$0.5 million in FY2020. This was in line with the decrease in revenue.

BALANCE SHEET

The Group declared cash and bank balances of S\$17.8 million and total assets of S\$28.4 million against total liabilities of S\$8.4 million as at 31 December 2020. Our net asset value per share stood at 10.53 cents as at 31 December 2020, an increase of 0.12 cents from 10.41 cents as at 31 December 2019, notwithstanding that the basic earnings per share increased to 0.22 cents in FY2020 as compared to 0.21 cents in FY2019.

Trade and other receivables and contract assets increased by S\$3.5 million or 107.3% from S\$3.2 million as at 31 December 2019 to S\$6.7 million as at 31 December 2020. Trade receivables turnover days increased from 21 days in FY2019 to 65 days in FY2020. Also, there was an increase of S\$0.8 million for down payments to suppliers/subcontractors.

Property, plant and equipment increased by 347.2% to approximately S\$3.9 million as at 31 December 2020, mainly due to the completion of the purchase of the factory at 4 Kwong Min Road during the year, purchase of motor vehicles for new projects and the recognition of right-of-use asset.

Trade and other payables and contract liabilities increased by approximately S\$39,000.

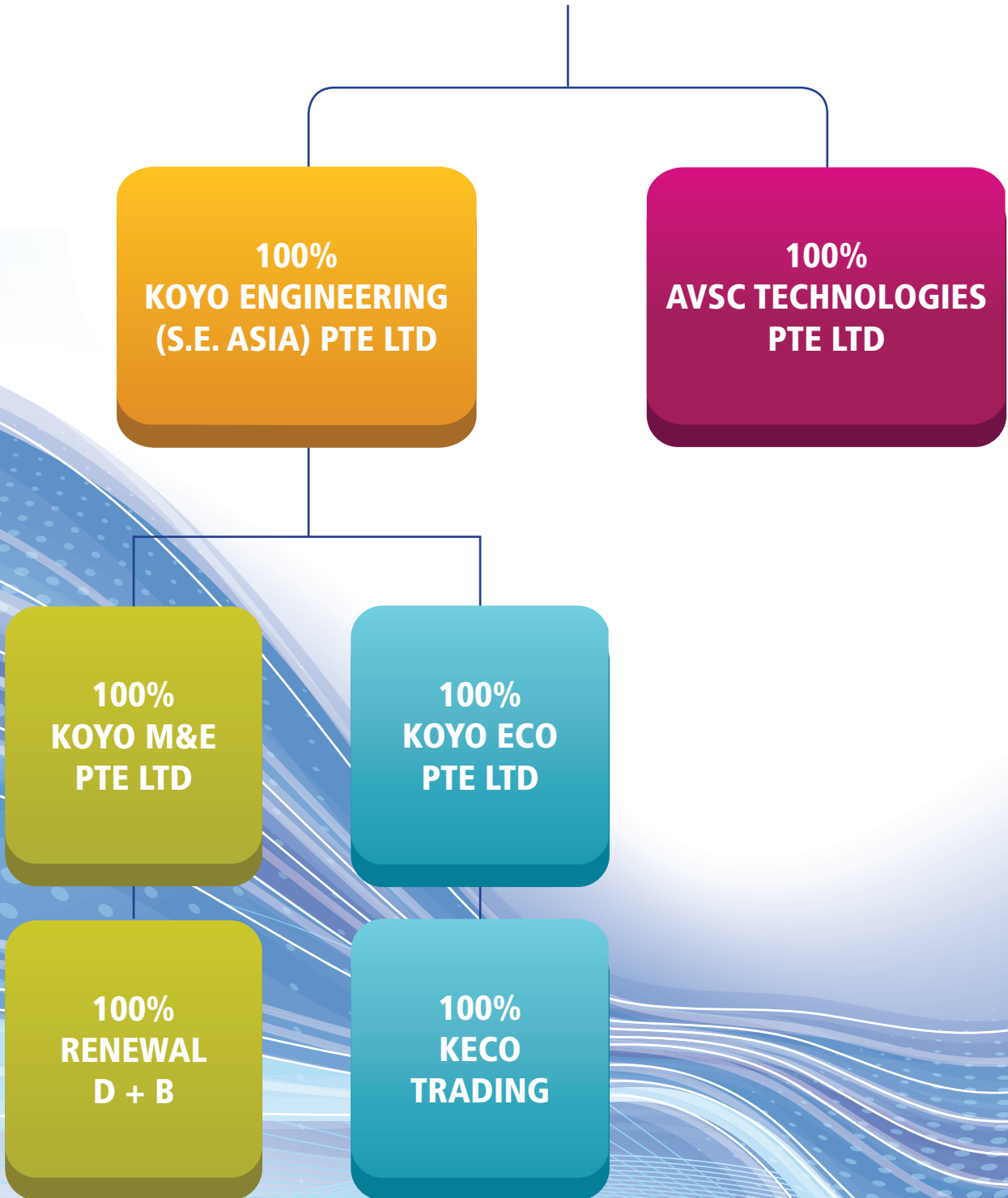
FIVE-YEAR FINANCIAL SUMMARY

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Consolidated Income Statement					
Revenue	16,861	19,903	23,820	15,825	15,125
Profit before income tax	458	459	1,336	719	799
Profit attributable to equity holders of the Company	421	390	1,161	690	735
Consolidated Balance Sheet					
Property, plant and equipment	3,940	881	709	360	92
Cash and bank balances	17,763	23,505	20,838	17,567	15,638
Other assets	6,734	3,274	4,928	6,735	5,840
Total assets	28,437	27,660	26,475	24,662	21,570
Total borrowings	812	209	145	70	–
Other liabilities	7,630	7,683	6,758	6,011	3,551
Total liabilities	8,442	7,892	6,903	6,081	3,551
Net assets	19,995	19,768	19,572	18,581	18,019
Share capital	4,477	4,477	4,477	4,449	4,449
Treasury shares	(630)	(630)	(630)	(630)	(630)
Other reserves	(265)	(261)	(257)	(186)	(248)
Retained profit	16,413	16,182	15,982	14,948	14,448
Shareholders' equity	19,995	19,768	19,572	18,581	18,019
Ratios					
Profit attributable to equity holders of the Company as a percentage of:					
Total revenue	2.50%	1.96%	4.87%	4.36%	4.86%
Average shareholders' equity (Note 1)	2.12%	1.98%	6.09%	3.77%	4.08%
Per share:					
Profit attributable to the equity holders of the Company (Note 2)	0.22 ¢	0.21 ¢	0.61 ¢	0.36 ¢	0.40 ¢
Net asset value of the Group (Note 3)	10.53 ¢	10.41 ¢	10.31 ¢	9.81 ¢	9.51 ¢
Dividends paid and/or proposed (Note 4)					
Final dividend	0.05 ¢	0.10 ¢	0.10 ¢	0.10 ¢	0.10 ¢

Notes:

- (1) Average shareholders' equity is computed based on the average of shareholders' equity as at the end of the current and previous financial year.
- (2) Earnings per share (basic) is computed based on the weighted average number of ordinary shares outstanding during the year.
- (3) Net asset value per share is computed by dividing the shareholders' equity by the number of ordinary shares in issue at each year end.
- (4) Please refer to Note 21 of the Notes to the Financial Statements for the treatment of the proposed dividend in the accounts. Dividend proposed for FY2020 is subject to the approval of shareholders at the forthcoming annual general meeting on 27 April 2021.

CORPORATE STRUCTURE



CORPORATE PROFILE



Koyo Group consists of the holding company Koyo International Limited, and its directly wholly owned subsidiaries Koyo Engineering (S.E.Asia) Pte. Ltd. ("**Koyo Engineering**") and AVSC Technologies Pte. Ltd. ("**AVSC Technologies**"). Its two wholly owned indirect subsidiaries are Koyo M&E Pte. Ltd. ("**Koyo M&E**") and Koyo Eco Pte. Ltd. ("**Koyo Eco**"). Two sole proprietors, Renewal D+B and Keco Trading are wholly owned by Koyo M&E Pte. Ltd. and Koyo Eco Pte. Ltd respectively.

KOYO ENGINEERING

Koyo Engineering is one of the leading home-grown M&E engineering specialist service provider and provides quality service to a wide range of diverse customers. Koyo Engineering has an extensive track record in project management and implementation of M&E services for industrial, commercial and residential buildings which include retrofitting works, alteration & addition works, new installation works, replacement works; design, integration and implementation of industrial engineering services; oil, gas and marine engineering services and facilities management.

By offering a full suite of M&E services, customers can have a vast array of services to choose from. Such services range from integrated, design-and-build, execution and maintenance

to facilities management services. Today, Koyo Engineering serves customers from all industries, including those in the construction, marine, oil and gas, industrial and pharmaceutical industries as well as the public sector.

With Building and Construction Authority ("**BCA**") gradings of L5 for electrical engineering and the highest grading of L6 for (i) air-conditioning, refrigeration & ventilation works; and (ii) integrated building services, Koyo Engineering is able to undertake mechanical and Integrated Building services work of unlimited value for public projects.

With over 37 years of experience in providing M&E engineering services, Koyo Engineering has been able to establish a reputation and a good track record for itself. Koyo Engineering had been awarded the prestigious SME 500 award in 2009. Today, Koyo Engineering has successfully completed more than 174 projects, which includes consulting, design, procurement and fabrication and construction projects.

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

CORPORATE PROFILE

AVSC TECHNOLOGIES

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

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

KOYO ECO

Koyo Eco focuses on integrating environmental engineering and clean technologies for industries by offering a full suite of clean technologies ranging from large scale solar heat collector arrays, hot water storage tanks, high-temperature heat pumps, phase change materials, non-chemical water treatment, electrical licensing services and liquid desiccant systems.

Koyo Group has integrated and installed what is arguably Singapore's largest capacity for phase change material with a chiller plant system. This is particularly important because phase change material can be used to help the chiller plant system to run at the most efficient level even during high or low load conditions. The proprietary blend of inorganic hydrated salts used as the phase change material can freeze at a range of temperature from 8 degree Celsius to 15 degree Celsius. This was successfully implemented at Cleantech 2 @ Cleantech Park, a premier development by JTC.

Koyo International Limited had been awarded the prestigious Singapore 1000 Company award in 2019 by DP Information Group. In conclusion, we, at Koyo, aim to provide value to all our customers, anticipating their every need and problem regardless of business sector. This is the commitment that Koyo strictly adheres to. Koyo will always strive to provide the best engineering solutions at the highest attainable standards that will commensurate with the project requirements and budget.



BOARD MEMBERS

WONG LOKE TAN – INDEPENDENT NON-EXECUTIVE CHAIRMAN

Wong Loke Tan is the Company's Independent Non-Executive Chairman, first appointed to the Board as Independent Non-Executive Director on 12 August 2016. He was appointed as the Independent Non-Executive Chairman on 23 February 2017 and was last re-elected on 29 April 2019. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Wong is a senior banker with over 30 years of banking experience in international banks and Singapore's longest established bank, OCBC Bank. His experience and expertise span across syndicated loans, project financing, structured trade financing and mergers and acquisitions.

He is particularly known in the business community for his extensive network and strong rapport with Singapore SMEs. Mr Wong remains active in the SME and corporate business circle.

Mr Wong left banking in June 2016 as a Senior Vice President with Maybank, Singapore. Currently, he sits on the Board of listed companies in Singapore and abroad including Union Steel Holdings Limited, Adventus Holdings Limited, K2 F&B Holdings Limited and International Cement Group Limited.

Mr Wong is dedicated to contributing to civic organisations such as the Saint Gabriel's School Management Committee. In 2018, he was awarded the Silver Medallion Service Award by the Ministry of Education in recognition of his contribution and service.

Mr Wong holds a Master of Business Administration degree from Brunel University, United Kingdom and an Executive Diploma in Directorship from the Singapore Management University and the Singapore Institute of Directors.

YEO GUAT KWANG – INDEPENDENT NON-EXECUTIVE DIRECTOR

Yeo Guat Kwang was appointed to the Board on 15 July 2009 and was last re-elected on 26 June 2020. He is the Chairman of the Nominating Committee and also a member of the Audit and Remuneration Committees.

Mr Yeo is an Assistant Director-General of National Trades Union Congress (NTUC), Chairman of the Migrant Workers Centre and Centre for Domestic Employees. He was a Member of Parliament from 1997 to 2015. He was also the president of the Consumers Association of Singapore from June 2003 to June 2012. Mr Yeo is also a Lead Independent Director of SIIC Environment Holdings Ltd and G.H.Y. Culture & Media Holding Co. Ltd. Mr Yeo is also an Independent Director of Motorway Automotive Pte. Ltd.

Mr Yeo obtained an Honours degree in Arts and Social Sciences from the National University of Singapore in 1986 and a master's degree in Public Administration and Management in Lee Kuan Yew School of Public Policy of the National University of Singapore in 2013. He was conferred Doctorate in Business Administration by United Business Institutes, Brussels in October 2016.

SERENA LEE CHOOI LI – INDEPENDENT NON-EXECUTIVE DIRECTOR

Serena Lee was appointed to the Board on 13 June 2007 and was last re-elected on 26 June 2020. She is the Chairman of the Remuneration Committee and also a member of the Audit and Nominating Committees.

Serena is a solicitor of England and Wales and is also an advocate and solicitor of the Supreme Court of Singapore. She was trained in London and has been practising in Singapore for more than twenty years in corporate/commercial, property and banking areas. She is currently a director at CTLC Law Corporation and is also a company secretary for some 84 companies.

Serena holds a Bachelor of Law (2nd Upper Honours) degree from the University of Sheffield and was at Chester Law School before training as an Articled Clerk in Simmons & Simmons, London.

FOO CHEK HENG – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Foo Chek Heng was appointed as Managing Director on 21 January 2009 and was last re-elected on 29 April 2019. Chek Heng is a director of Koyo M&E since September 2006.

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

Chek Heng holds a Bachelor of Science (Honours) degree in Mechanical Engineering and a Master of Science degree in Mechanical Engineering (HVAC) from King's College, University of London.

At the moment, Chek Heng has taken leave of absence due to medical reasons. During his absence, his duties and responsibilities is being covered by Executive Director, Mr Foo Suay Wei.

FOO SUAY WEI – EXECUTIVE DIRECTOR

Foo Suay Wei was appointed as Executive Director on 26 December 2014 and was last re-elected on 27 April 2018. He joined Koyo in August 2013 as Strategy and Business Development Manager and was promoted to Senior Manager in March 2014. He was previously an Assistant Director at the Monetary Authority of Singapore from 2009 to 2012.

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

Suay Wei was appointed as Managing Director of Koyo Engineering on 28 October 2016.

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

Suay Wei is currently covering the duties and responsibilities of Mr Foo Chek Heng during his leave of absence.

FOO SUAY LUN – EXECUTIVE DIRECTOR

Foo Suay Lun was appointed as Executive Director on 1 June 2018 and was last re-elected on 29 April 2019. He joined Koyo in 2013 as a project manager. He oversees various projects and ensures the smooth operation and completion of such projects.

He is a Member of the Institute of Engineers Singapore. He holds a Bachelor of Engineering Mechanical Degree and Master of Science in Energy and Environment Technology and Economics from City, University of London.

KEY MANAGEMENT TEAM

DALAT KOSITANON

Corporate Services Director

Dalat Kositanon is the Corporate Services Director of Koyo Group. Her duties are to oversee the administrative and human resource functions. She has been with Koyo since 1994. Dalat holds a Postgraduate Diploma in Education and a Master of Arts degree (Psychology of Education), both from the Institute of Education, University of London.

GOH HWEE HIONG

Chief Financial Officer

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

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

GOH TECK SOON

Senior M&E Manager

Goh Teck Soon is the Project Manager overseeing major projects undertaken by Koyo. He has more than 20 years of experience in M&E engineering. He has been involved in various commercial and industrial projects including clean room construction in Singapore prior to joining Koyo in 2011. He holds a diploma in Mechanical Engineering from the Singapore Polytechnic.

GOH CHIN HIEW

Operations/Commercial Division Director

Goh Chin Hiew is the Operations/Commercial Director of Koyo and has been with Koyo since February 1999. As the director of the Operations/Commercial Division, her job scope and responsibilities cover the tender, procurement, maintenance and quantity surveying departments.

Her current duties include tendering, procurement, liaising and coordinating projects for Koyo. She is also the management representative for the Integrated Management System.

Chin Hiew has more than 20 years of experience in the engineering and construction industry. She holds a Diploma in Electrical Engineering from the Ngee Ann Polytechnic of Singapore.



SUSTAINABILITY REPORT

ORGANISATIONAL PROFILE

Koyo International Limited (“**Company**”) was listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in 2009. Currently, the principal activities of the Koyo and its subsidiaries (collectively, “**Koyo Group**” or “**Group**”) can be broadly categorised into four core business segments. These include the 1) provision of mechanical and electrical (“**M&E**”) engineering services; 2) the supply of renewable energy products for building services; 3) property development and construction; and 4) the supply of construction materials and ancillary services related to it.

BOARD STATEMENT

The board of directors (“**Board**”) is pleased to present the fourth Sustainability Report (“**Report**”) of the Group. This Report is a culmination of the Group’s commitment towards incorporating sustainability into its business operations through the presentation of economic, environmental, social and governance (“**ESG**”) performance throughout the year. The Board considers sustainability issues as an integral part of our strategic formulation, determines material ESG factors, oversees the identification and management of risks and opportunities relating to ESG issues which are material to our business.

In 2020, the Group conducted the review by focusing on the most pressing ESG issues impacting the business and its stakeholders. The Group has put in place stronger controls and processes to manage the material ESG factors, which in turn demonstrate Koyo’s commitment to sustainability and addressing its stakeholders’ primary concerns.

ABOUT THIS REPORT

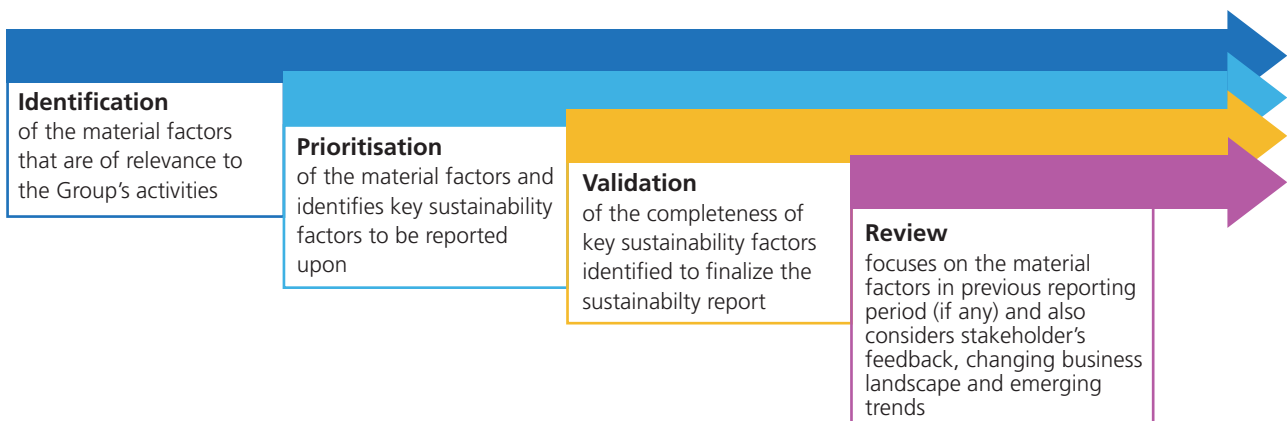
This report is guided by the Global Reporting Initiative (“**GRI**”) G4 reporting guidelines, at core level. The GRI standards were adopted as it represents the global best practices for reporting on economic, environmental and social topics. Corresponding to G4’s emphasis on materiality, the report highlights the key ESG related factors identified for the financial year ended 31 December 2020 (“**FY2020**”) and the initiatives taken during the period. For FY2020, the report is focused on the Group’s M&E engineering services which includes facilities management as other activities were not significant, but we intend to expand our scope of this report to include the Group’s other businesses in the future. Through this report, we hope to share our commitment in sustainability and transparency with our various stakeholders, including customers, suppliers, employees, investors and regulators.

As part of our continual efforts to improve the coverage of our sustainability practices in the report, we welcome stakeholders to submit their questions or feedback on any aspect of our sustainability performance via the following email address: mail@koyointernational.com.

POLICY, PRACTICES AND PERFORMANCE REPORTING

SUSTAINABILITY REPORTING PROCESSES

Our sustainability process begins with the identification of relevant aspects of stakeholder engagement. Relevant aspects are then prioritised as material when identifying issues. The final list of issues that are deemed as material to us are the issues that have significant economic, environmental and social impacts or could substantively influence the assessments and decisions of our stakeholders. The end result of this process is a list of material factors disclosed in the sustainability report. The sustainability reporting process is as shown below:

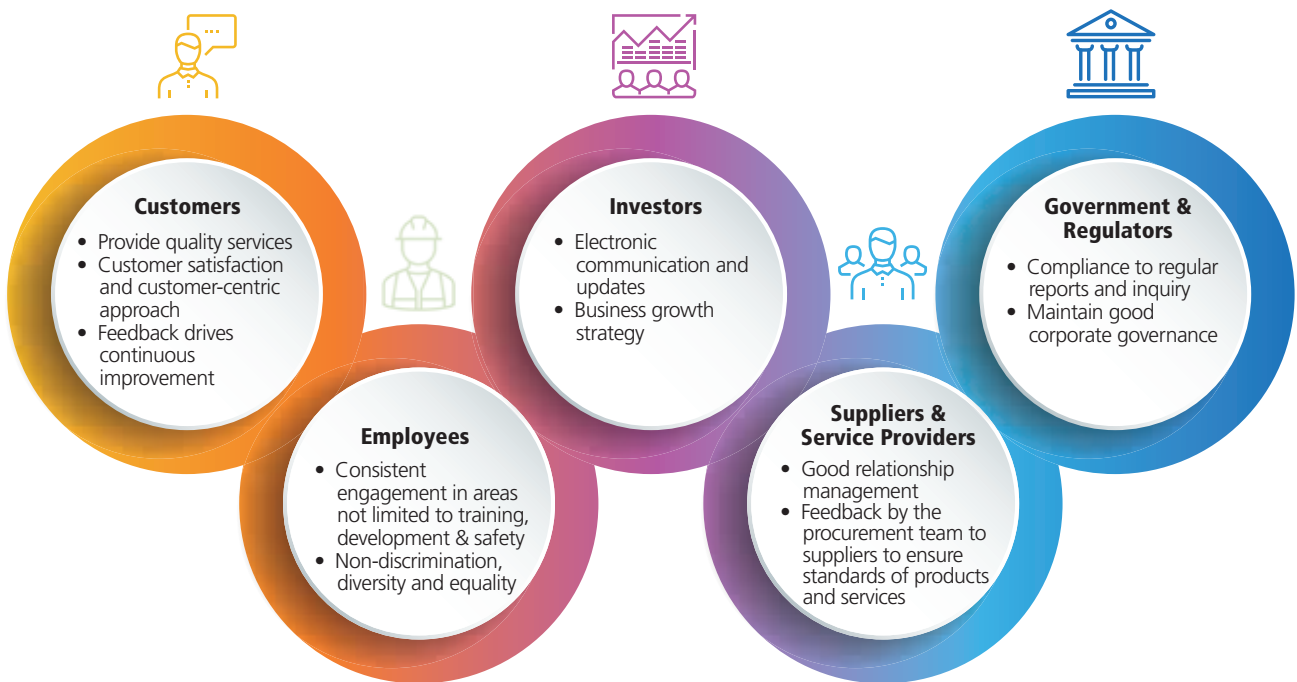


SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to employees, suppliers & service providers, investors & shareholders, customers, and regulators.

We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following sets out our engagement platforms with our stakeholders:



MATERIAL ASPECTS ASSESSMENT

We made a materiality assessment during FY2020 based on the results of the previous year's materiality assessment. Factors that were deemed material last year were reviewed to ensure their relevance. A materiality review will be conducted annually, incorporating inputs from the stakeholder engagements.

To determine if an aspect is material, we assessed its potential impact on the economy, environment and society and the influence on the stakeholders and the Company. Aspects were identified and prioritised through senior management evaluations. Applying the guidance from GRI, we have identified the following material aspects:



SUSTAINABILITY REPORT

MATERIAL ASPECTS

ECONOMIC PERFORMANCE

The Group firmly believes that focus on financial sustainability is critical and we aim to maximise returns for long-term profitability, thereby creating sustainable shareholder value. The Group's basic principle is that long-term profitability and shareholder value is ensured by taking into account the interests of stakeholders, such as shareholders, employees, suppliers and society as a whole.

In 2020, Koyo implemented a number of initiatives that contribute to the long-term sustainability of our businesses, including:

- Improving cash and working capital management to minimize cost and maximize returns; and
- Introducing and implementing better cost control and cost management measures.

Despite the challenging economy, the Group continued its effort to drive a positive result in financial returns. The Group registered a net profit of approximately S\$0.4 million notwithstanding the declined revenue by 15.3% to approximately S\$16.9 million. The Group has achieved our FY2019 target through maintaining a strong net asset value. The Group also maintained a healthy balance sheet with S\$17.8 million in cash and cash equivalents at the end of FY2020. Looking ahead, the Group will continue to explore opportunities for revenue or profit accretive acquisitions, and innovative practices to improve productivity and revenue.

For more detailed information regarding our FY2020 financial results, please refer to the following sections in our Annual Report 2020:

- Operating and Financial Review, pages 4 – 7
- Financial Statements, pages 48 – 106.

In FY2020, the Group activated its business continuity management (“**BCM**”) in response to the COVID-19 pandemic. The BCM is a risk management process that identifies potential business impact caused by operational disruption, crisis or disaster. It provides a framework for building resiliency enabling an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities. The Group has received the financial assistance from the Government during the Covid-19 pandemic.

In FY2020, the Group received \$1,836,000 government grant in total from four sources, namely Job Support Scheme, Foreign Worker Levy (FWL) Waiver (non-cash), FWL Rebate and Construction Restart Booster. These grants have been utilized as Covid-19 relief funds to implement safe management measures, such as building temporary living quarters (TLQ), and arrangement of foreign workers' dormitory shifting. In addition, the funds are used for salary/wages, meals, transport, medical check-up, surviving working capital and site expenses during the Circuit Breaker and to mitigate the adverse impact of the lockdown on revenue generation.

ENVIRONMENT

At Koyo, we strive to carry out our business operations in a socially responsible manner and are committed towards protecting the environment.

GREENMARK PROJECTS

As an M&E engineering services provider, the Group continues to implement BCA Green Mark projects and we are committed to working with our valued business partners to construct high quality and energy efficient developments for the community. The BCA Green Mark scheme promotes greater energy efficiency, water efficiency, environment protection, indoor environmental quality and other green/ innovative features in infrastructure and building interiors.

ENVIRONMENTAL ASPECT AND IMPACT ASSESSMENT

Our two main subsidiaries namely, Koyo Engineering (S.E. Asia) Pte Ltd and Koyo M&E Pte Ltd are ISO 14001:2015 certified. The ISO 14001:2015 Environmental Management System provides for a framework that our subsidiaries can follow to manage environmental aspects, fulfil environmental compliance obligations and address environmental risks and opportunities. As such, we carry out environmental aspect and impact assessments for our work.

SUSTAINABILITY REPORT

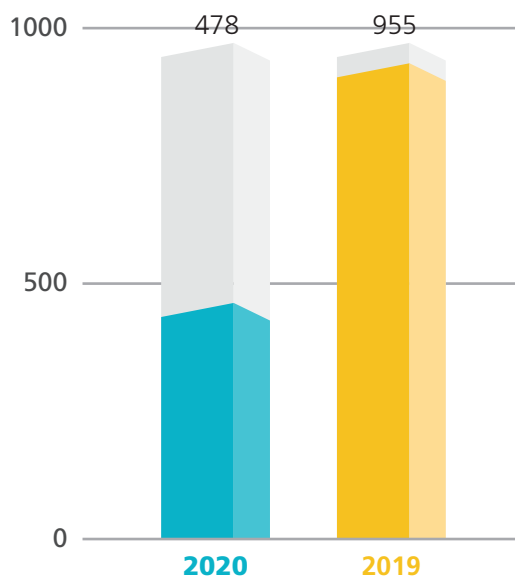
WASTE MANAGEMENT

The Group adopts the Reduce, Reuse and Recycle (“3Rs”) methodology to manage our waste. We believe that by practising the 3Rs, we can help to protect the environment and conserve limited resources. The Group believes that every small effort counts and goes a long way in contributing to the conservation and protection of the earth’s natural resources. We aim to reduce the paper consumption in head office by 5% in the financial year ending 31 December 2021 (“FY2021”).

Our waste management efforts are focused mainly on paper. We are constantly working to reduce waste from our operations, as well as finding efficient ways to recycle. Measures were communicated to all the new and existing employees through induction and informal meetings to reduce, reuse or recycle whenever possible.

REDUCE	REUSE	RECYCLE
Employees are educated to print double-sided documents.	Employees are encouraged to reuse paper for note taking during meetings.	Waste cardboard and paper are sent for recycling.
Paperless work flow system is being implemented to store documents electronically.	Employees are also encouraged to use waste paper as draft paper.	
	Employees are encouraged not to print documents for discussion purposes and display them on screens instead.	

The paper consumption with the previous year trend is illustrated as follows:



USAGE OF PAPER (IN REAM)

Note:
1) REAM contains 500 sheets of paper

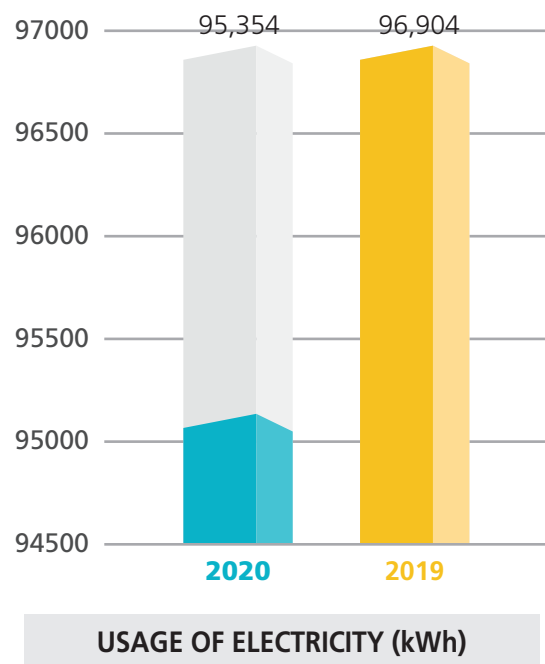
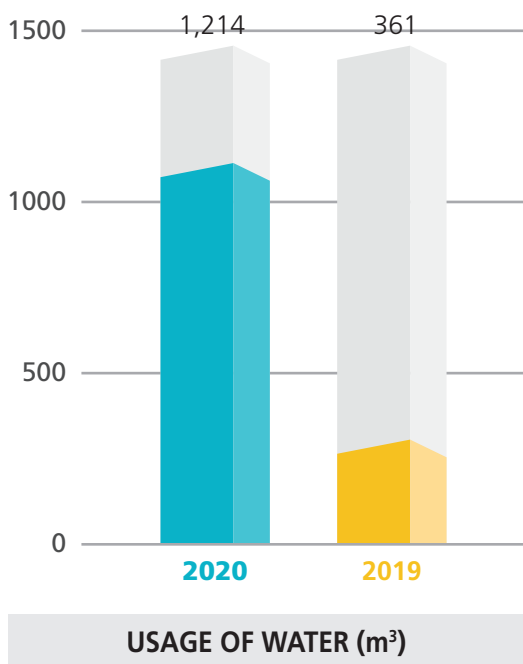
SUSTAINABILITY REPORT

The decrease of paper consumption in FY2020 was mainly due to using electronic checklists on sites and e-invoicing for sales invoices and service reports. The Group has decreased its consumption by 50.0% and has far exceeded the target set for a reduction of 5% in FY2020.

CONSERVATION OF ENERGY AND WATER

The Group believes that the efficient use of natural resources such as energy and water will contribute positively to sustainable growth for the Group in the long term. As part of our continuous efforts, we have installed more energy-efficient lightings, thereby reducing electricity consumption and use water-efficient fittings and fixtures where appropriate in our corporate office to reduce water consumption. We aim to reduce the energy consumption in head office by 5% in FY2021.

The Group has put up reminders of energy conservation practices such as switching off lights and equipment when not in use, to encourage employees to play their part in reducing energy consumption. The energy and water consumption with the previous year trend are being illustrated as follows:



Note:
 1) m³ : Cubic Meter
 2) kWh : Kilowatt hour

SUSTAINABILITY REPORT

Based on the illustrations, there was a 236% increase in water consumption from FY2019 to FY2020 which has far exceeded the target set for a reduction of 5% in FY2020. The rise in the consumption for water in FY2020 was largely due to:

- (1) a new factory building purchased during the year and which was used as TLQ (Temporary Living Quarters) for workers during pandemic of COVID-19;
- (2) The consumption was also in line with the advisory from Ministry of Manpower for observing good personal hygiene, washing hands with soap and water frequently.

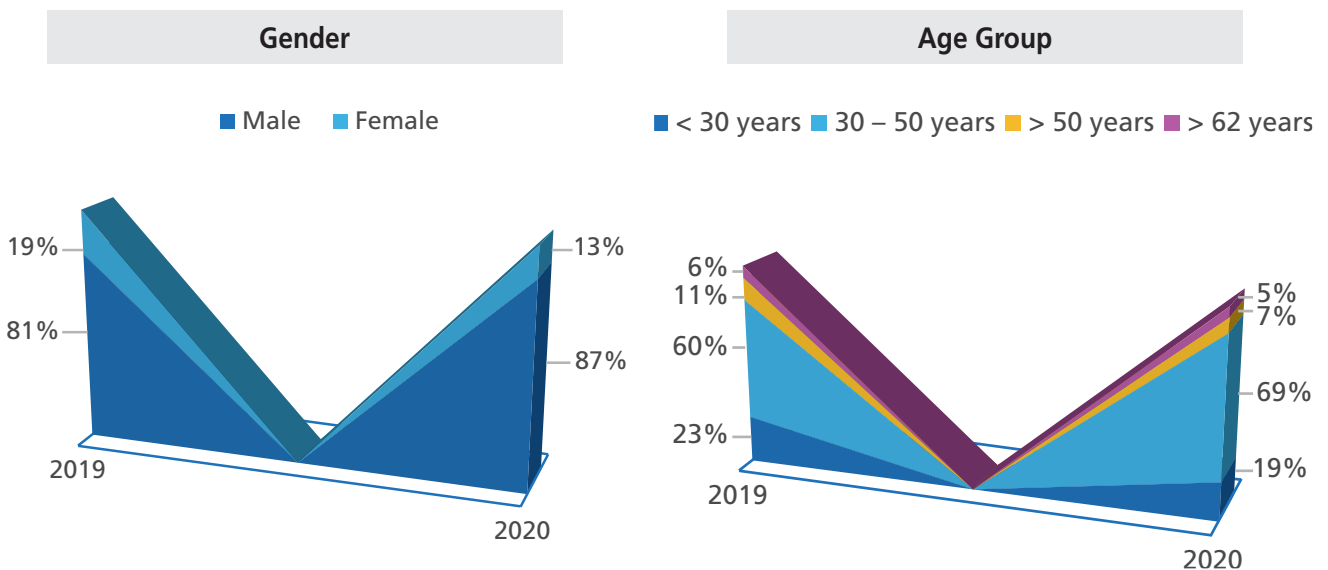
However, this was offset by a decrease in electricity consumption of 1.6% from FY2019 to FY2020, for project sites and office, mainly due to circuit breaker closure and as staffs were continuously encouraged to work from home.

Nevertheless, we are committed to continuously optimizing the usage of such precious resources by investing in energy-saving products and driving water-use efficiency in our operations.

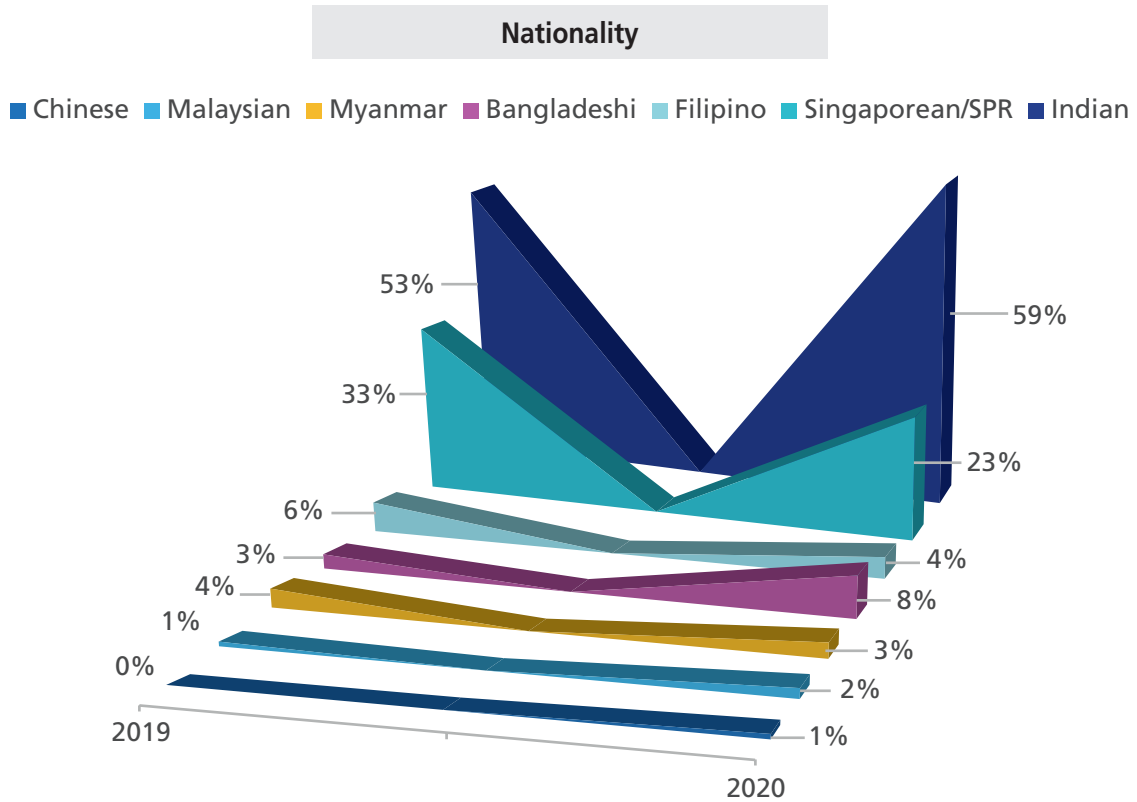
SOCIAL

DIVERSITY AND FAIR EMPLOYMENT

We embrace diversity, and at the same time expect employees to be aligned with Group’s vision and strategic initiatives of enhancing overall business performance and to deliver sustainable growth. The age of our staff ranges from 20s to 70s. There is an increase in ratio of male to female staff from approximately 4:1 for FY2019 to 6:1 for FY2020. The higher ratio of male to female employees is not uncommon in the construction industry due to the nature of the work. Our staff consists of people coming from different nationalities and academic qualifications. We strive for fair treatment of all our employees, regardless of nationalities, age, gender and educational levels.



SUSTAINABILITY REPORT



We always give preference to the hiring of local talent. We did not meet the target of 33% for local hires set in FY2019, mainly due to labour market constraints. However, we are committed to providing competitive remuneration and benefits to our employees. We are also committed to safeguarding our employees' health and safety against any potential workplace hazards. We have set a target to achieve the 23% of local hires in FY2021.

CODE OF CONDUCT

New employees are provided a Code of Business Conduct, which is a standard for general employee conduct which the employee agrees to abide by, as well as a Whistle-blowing policy. The Group ensures compliance with labour and employment laws, including working hours. Furthermore, the Group does not condone discrimination against anyone because of age, gender, national origin, disability, religion, sexual orientation, marital or maternity status, union membership or political opinion, among others. Non-compliance in relation to discrimination may be reported to the line manager, HR or through our whistleblowing system. We had not received any incidence of discrimination cases in FY2020. We aim to have zero incidence of discrimination cases in FY2021.

TRAINING AND EDUCATION

Koyo understands that there is a continuous need to upgrade staff skills and knowledge. This is beneficial to the staff's development and the Company. Thus, staff are encouraged to go for courses and seminars to upgrade themselves and improve their skills. Staff are also sent by the Company, to attend online courses to obtain skills or certifications that are necessary in the course of their work, examples of courses include "Construction Safety Course for Project Managers", "Safe Management Officer", "Develop a Risk Management Implementation Plan", "WDA PDPA Training", "Workplace Safety and Health Management in Construction", "Supervise Construction Work for WSH", "ISO 45001:2018 OHSMS Auditor Migration" conducted by Ministry of Manpower ("MOM") Accredited Providers and Building & Construction Authority Academy.

OCCUPATIONAL HEALTH AND SAFETY

Our two main subsidiaries namely, Koyo Engineering (S.E. Asia) Pte Ltd and Koyo M&E Pte Ltd are ISO 45001:2018 certified. The ISO 45001:2018 provides for a framework to maintain the Group's commitment to prevent ill-health and injury through the implementation of Occupational Health and Safety Management System that meets the requirements of ISO 45001: 2018 standard requirement.

SUSTAINABILITY REPORT

We put the safety of everyone above all in whatever we do. This has since become the overriding principle that guides us in our work. We also believe that safety is everyone's responsibility and we are committed to building a strong and positive safety-oriented culture in our workplace to promote safety and create a safe working environment for everyone.

Our Health and Safety Policy is one key way in which we implement the safety principle in our work. We achieved our FY2019 target through having zero workplace incidents in 2020. We will continuously strive to improve the way we carry out our work safely together with our business partners to achieve our goal of zero incident in FY2021.

We achieve our goal by managing risk at work, equipping our work crew with competent skills, providing Safety, Health, Environment ("**SHE**") training and conducting campaigns to raise safety awareness at work.

In FY2020, Koyo Engineering (S.E. Asia) Pte Ltd received the recognition of SafeContractor Accreditation award for the continuous Workplace Safety and Health ("**WSH**") contribution to the success of our client's inaugural Workplace Safety and Health ("**WSH**") forum and contractors.

SAFETY TRAINING

We strongly believe that to equip our workforce with competent skill and knowledge to carry out the work safely is one of the cornerstones of success for the Group. Selected staff are trained on risk management to build on their fundamentals of hazard identification and risk assessment at the workplace.

SAFETY CAMPAIGN

From time to time, we hold safety campaigns at our various work sites to heighten awareness on Health and Safety matters and promote positive behaviour amongst the work crew. An effective campaign may help to eliminate any doubts that the work crew might have, boost the morale of the workforce, reduces costly mistakes and prevent injury.

MANAGING RISKS

We manage risk at work through preparing risk assessment for every job, communicate hazards and risks at pre-task discussions (i.e. tool box meetings), intervene unsafe observations, carry out safety inspections and conduct management walkabouts to support and ensure safety compliance.

GOVERNANCE

The Company adheres closely to the principles and guidelines of the Code of Corporate Governance 2018 ("**Code**") and other applicable laws, rules and regulations, including the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"). We endeavour to comply to the best extent possible, with the principles, provisions and practices set out in the Code and accompanying practice guidance. Please refer to the Annual report pages 21 to 47 on the details of the Company's corporate governance practices.

DATA PROTECTION

Koyo protects the privacy and confidentiality of our customers' information. We do not divulge or sell personal information to third parties for marketing or promotional purposes. All employees are guided by Koyo's Code of Business Conduct. In FY2020, there was no identified case regarding breach of customer privacy or loss of customer data. We aim to maintain zero breaches in this aspect in FY2021.

WHISTLE BLOWING POLICY

Our whistle blowing policy provides a mechanism for employees and external parties to report concerns over alleged wrongful acts. There were no whistleblowing cases in FY2020.

COMPLIANCE WITH LAWS AND REGULATIONS

Koyo actively ensures that all our activities and operations comply with existing regulatory requirements. We carry out regular reviews of legal and other requirements. Any changes and non-compliance with the relevant laws are made known to the management, and actions will be taken to ensure compliance.

CORPORATE GOVERNANCE

Koyo International Limited (the “**Company**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”). Good corporate governance establishes and maintains an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company (“**Shareholders**”).

This Corporate Governance Report (“**CG Report**”) describes the Company’s corporate governance practices that were in place during the financial year ended 31 December 2020 (“**FY2020**”) with the reference made to the Code of Corporate Governance 2018 (“**2018 Code**”) and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) and where applicable, it has specified and explained the areas and reason(s) for any deviations from the 2018 Code.

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board of Directors’ (“**Board**”) principal functions include, among others, supervising the overall management of the business and affairs of the Group and setting the Group’s corporate and strategic policies and direction. The principal duties of the Board include the following:

- Protecting and enhancing long-term value and return to its shareholders;
- Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives;
- Reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- Ensuring the effectiveness and integrity of Management;
- Conducting periodic reviews of the Group’s risk management systems and the adequacy and effectiveness of internal controls, including financial, operational, compliance and information controls, and assessing actions needed to address and monitor any areas of concern;
- Approving nominations to the Board and appointment of key management personnel;
- Ensuring the Group’s compliance with all relevant and applicable laws and regulations; and
- Assuming responsibility for the corporate governance of the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company. To assist the Board in discharging its responsibilities effectively and efficiently, the Board has delegated certain responsibilities to the three Board committees, namely, the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively, “**Board Committees**”), which would make recommendations to the Board. The Board holds the Management of the Company (“**Management**”) accountable for performance. The Board Committees operate within clearly defined terms of reference. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance. The Board meets regularly 4 times a year to oversee the business affairs of the Group. The Board is free to seek clarification and information from Management on all matters within their purview.

Directors facing conflicts of interest recuse themselves from meeting discussions and decisions involving the issues of conflict.

Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via telephone or video conference are permitted by the Company’s Constitution.

CORPORATE GOVERNANCE

Details of the attendance of the Board members at the meetings of the Board and Board Committees for FY2020 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting
No. of meetings held	4	2	1	1	1
Name of Directors	No. of Meetings attended				
Wong Loke Tan	4	2	1*	1	1
Foo Chek Heng	1	1*	–	N/A	–
Yeo Guat Kwang	4	2	1	1	1
Serena Lee Chooi Li	4	2	1	1	1
Foo Suay Lun	3	1*	N/A	N/A	1
Foo Suay Wei	4	2*	1*	1*	1

N/A denotes not applicable

*By invitation

Matters that are specifically reserved for the Board's approval include:

1. Reviewing the composition of the Board annually;
2. Reviewing Board succession plans for Directors, in particular the Managing Director/Chief Executive Officer ("CEO");
3. Corporate strategy and business plans;
4. Capital expenditures;
5. Capital borrowings and financial commitments;
6. Material interested person transactions;
7. Major funding proposals, investments, acquisitions and divestments;
8. Budgets, financial results announcement, annual report and audited financial statements;
9. Internal controls and risk management strategies and execution;
10. Appointment of Directors and key management personnel;
11. Convening of shareholders' meetings; and
12. Declaration of interim dividends and proposal of final dividends.

CORPORATE GOVERNANCE

To ensure Directors can fulfill their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors.

The Directors are also updated regularly with changes to the Catalist Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors will update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. Appropriate external trainings for Directors conducted by the Singapore Institute of Directors and other organisation will be arranged when necessary. The Company will also provide training for newly appointed Directors who have no prior experience as a Director of a Singapore public listed company as prescribed by the SGX-ST under Rule 406(3)(a) and Practice Note 4D of the Catalist Rules. 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.

The Management provides the Board with adequate and timely information as well as a review of the Group's performance prior to the Board meetings to enable the Directors to make informed decisions and discharge their duties and responsibilities. In view of the Company's half yearly reporting requirements, the Management provides the Board with its accounts on a half yearly basis. Financial information, reports and assessments are provided for circular meetings as well to provide sufficient information to the Board to make their decision.

All Directors have separate and independent access to the Management and the Company Secretary at all times through email, telephone and face-to-face meetings. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board to decide, includes ensuring that Board procedures are followed; applicable rules and regulations are complied with, ensuring good information flow within the Board and its committees and between senior management and Non-Executive Directors, facilitating the Directors' orientation programme, and assisting with professional developments as required. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished. Under the direction of the Chairman, the Company Secretary ensures timely and good information flows within the Board and its Board Committees and between the Management and independent Directors. The Company Secretary and/or her representative administer, attend and prepare the minutes of all Board and Board Committee meetings.

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

CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board comprises six (6) members with half of the Board comprising Independent Directors. There are three (3) Independent Non-Executive Directors and three (3) Executive Directors on the Board. As at the date of this CG Report, the Board members are as follows:

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

The Company is in compliance with Rule 406(3)(c) of the Catalist Rules as the Independent Directors make up half of the Board. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs. However, the Board notes that Provision 2.3 of the 2018 Code requires that Non-executive Directors make up a majority of the Board. After due deliberation, the Board has assessed and is satisfied that the current Board possesses a strong element of independence, and there are adequate checks and balances, facilitated by internal practices to ensure objective and independent decision making without excessive influence by the Management. The NC and Board will review the board composition as and when required and institute changes when the need arises.

The independence of each Director is reviewed annually by the NC. The NC and Board, takes into account relationships or circumstances, including those identified by the 2018 Code and Rule 406(3)(d) of the Catalist Rules that are relevant in its determination as to whether a Director is independent. Moreover, all the Independent Directors are not associated, directly or indirectly, with the Company's 5% shareholders in the current or immediate past financial year to enhance the independent element on the Board. There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the 2018 Code that would otherwise deem him/or not to be independent.

The NC is of the view that Mr Wong Loke Tan, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li are independent. The Board has determined after taking into account the views of the NC, that the aforementioned Directors are independent in conduct, character and judgement and has no relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the aforementioned Directors independent business judgement in the best interests of the Company. In performing the NC's review of the independence of the aforementioned Directors, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, being members of the NC, have each abstained from participating in the review of the assessment of his/her independence. In addition, in performing the Board's review of the independence of the aforementioned Directors, Mr Wong Loke Tan, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, each abstained from participating in the review of the assessment of his/her independence. The Independent Non-Executive Directors have also confirmed their independence in accordance with the 2018 Code.

In line with Guideline 2.4 of the Code of Corporate Governance 2012, the NC had conducted a rigorous review on the independence of the Independent Non-Executive Directors who have served on the Board for more than 9 years, Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang and considers that Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang are independent even though they have served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang are set out below.

CORPORATE GOVERNANCE

Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang have:

- (i) contributed constructively throughout their terms of appointment in the Company;
- (ii) sought clarification and amplification as they deemed necessary, including through direct access to key management personnel;
- (iii) provided impartial advice and insights,
- (iv) exercised his/her independent judgment at Board and Board Committees meetings in doing so; and
- (v) will continue to add value to the Board.

The following assessments were also conducted and deliberated by the Board before arriving at the conclusion:

- (i) review of Board and Board Committee meetings minutes to assess questions and voting actions of Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang; and
- (ii) Ms Serena Lee Chooi Li's and Mr Yeo Guat Kwang's declaration of independence.

Based on the aforementioned, the Board is of the view that Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang have been and have the ability to continue exercising independent judgment in the best interests of the Company in the discharging of their duties as Independent Directors of the Company. Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang had abstained from the NC's and Board's review of their independence.

With effect from 1 January 2022, a director will not be independent if he has served for an aggregate of more than 9 years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "**Two-Tier Voting**"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

The existing Independent Directors who have served more than 9 years are Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang who have sought for Two-Tier Voting resolutions for her/his continued appointment in the forthcoming annual general meeting.

There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the 2018 Code that would otherwise deem him/or not to be independent.

The Board through the NC, has examined the Board and Board Committees and is of the view that the Board and Board Committees are of an appropriate size, and comprise Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

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

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

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

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

The Independent Non-Executive Directors have met at least once without the presence of the Management in FY2020.

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of the Chairman and the Managing Director/CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the Managing Director/CEO are not related to each other nor are they immediate family members.

As the Independent Non-Executive Chairman, Mr Wong Loke Tan bears the responsibility for overseeing the business of the Board and, together with the AC, ensures the integrity and effectiveness of the governance process of the Board. He leads the Board discussions and ensures that Board meetings are convened when necessary. In addition, the Chairman promotes a culture of openness and debate at the Board; ensures that the Directors receive complete, adequate and timely information; encourages constructive relations within the Board and between the Board and management; and facilitates the effective contribution of non-executive Directors. The Chairman chairs the annual general meetings (“AGM”) and ensures constructive communication between shareholders, the Board and management.

As Managing Director/CEO, Mr Foo Chek Heng bears the executive responsibilities for the overall daily operations of the Group’s various businesses. He also oversees the execution of the business and corporate strategy decisions made by the Board. Due to medical reasons, Mr Foo Chek Heng has taken a leave of absence, as announced on SGXNET on 24 January 2020. In his absence, the Executive Director, Mr Foo Suay Wei has been covering his duties and responsibilities.

All major decisions made by the Board are subject to majority approval of the Board.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board.

As at the date of this CG Report, the Board comprises six (6) Directors, three (3) of whom are Executive Directors while three (3) are Independent Non-Executive Directors.

<u>Name of Directors</u>	<u>Position</u>	<u>Date of Initial Appointment</u>	<u>Date of Last Re-election/ Re-appointment</u>
Wong Loke Tan	Independent Non-Executive Chairman	12.08.2016 ⁽¹⁾	29.04.2019
Foo Chek Heng ⁽²⁾	Managing Director/CEO	21.01.2009	29.04.2019
Foo Suay Wei ⁽³⁾	Executive Director	26.12.2014	27.04.2018
Foo Suay Lun ⁽⁴⁾	Executive Director	01.06.2018	29.04.2019
Yeo Guat Kwang	Independent Non-Executive Director	15.07.2009	26.06.2020
Serena Lee Chooi Li	Independent Non-Executive Director	13.06.2007	26.06.2020

Notes:

- (1) Mr Wong Loke Tan was re-designated from an Independent Director to the Independent Non-Executive Chairman on 23 February 2017.
- (2) Mr Foo Chek Heng is the father of Mr Foo Suay Wei and Mr Foo Suay Lun.
- (3) Mr Foo Suay Wei is the son of Mr Foo Chek Heng and is the brother of Foo Suay Lun.
- (4) Mr Foo Suay Lun is the son of Mr Foo Chek Heng and is the brother of Foo Suay Wei.

CORPORATE GOVERNANCE

The NC comprises Mr Yeo Guat Kwang as Chairman, Mr Foo Chek Heng and Ms Serena Lee Chooi Li as members, a majority of whom, including the NC Chairman are independent. The NC has adopted specific written terms of reference which includes:

- a) reviewing and recommending the nomination or re-nomination of Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel, having regard to the Director's contribution and performance;
- b) reviewing each of the Director's independence annually;
- c) reviewing whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- d) reviewing of training and professional development programmes for the Board and Directors;
- e) considering whether or not a Director who has multiple board representations is able to and has been adequately carrying out his duties as a Director of the Company;
- f) reviewing the composition of the Board annually; and
- g) reviewing of Board succession plans for Directors.

The NC also ensures that the Board, as a whole, possesses the core competencies required by the Code. All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least every three (3) years.

Before making its recommendation to the Board for the re-appointment of a retiring Director, the NC takes into consideration the current needs of the Board, the Director's contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board). The Director is also assessed based on his/her ability to adequately carry out the duties expected while performing his/her roles in other companies or other appointments.

Under Regulation 100 of the Company's Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every AGM provided that the Directors to retire from office, have been serving the longest in office since their last re-election or appointment. Under Regulation 100A of the Company's Constitution, the retiring Director shall be eligible for re-election.

Mr Foo Suay Wei and Mr Wong Loke Tan who were last re-elected on 27 April 2018 and 29 April 2019 respectively are due to retire at the forthcoming AGM for re-election pursuant to Regulation 100 of the Company's Constitution.

The NC, having reviewed and being satisfied with their overall contribution and performance as Directors of the Company, has recommended that Mr Foo Suay Wei and Mr Wong Loke Tan be nominated for re-election at the forthcoming AGM.

Mr Foo Suay Wei will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Mr Foo Suay Wei is the son of Mr Foo Chek Heng, the Company's Managing Director/CEO and controlling shareholder, and the brother of Mr Foo Suay Lun, an Executive Director of the Company.

Mr Wong Loke Tan will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Chairman of the Company, Chairman of the AC and a member of the RC. The Board considers Mr Wong Loke Tan to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Please refer to pages 40 to 47 of this annual report for information on the Directors nominated for re-election required under Rule 720(5) of the Catalist Rules.

CORPORATE GOVERNANCE

New Directors are appointed by the Board upon the recommendation of the NC. In the nomination and selection process, the NC first considers the range of skills and experience required in the light of the following:

- a) Strategic direction and progress of the Group;
- b) Current composition of the Board; and
- c) Need for independence.

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

Notwithstanding that some of the Directors have multiple board representations, the NC and Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. Only two (2) Directors, namely Mr Wong Loke Tan and Mr Yeo Guat Kwang, is a Director of other listed companies. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises.

The considerations in assessing the capacity of Directors include, *inter alia*, (i) Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; (ii) Geographical location of Directors; (iii) Size and composition of the Board; (iv) Nature and scope of the Group's operations and size; and (v) Capacity, complexity and expectations of the other listed Directorships and principle commitments held.

The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The Company currently does not have any alternate Directors.

Key information regarding the Directors, including their principal commitments, Directorships in other listed companies are set out in the Board Members' section in page 11 of this annual report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual Directors.

The NC decides on how the Board's, Board Committees' and individual Directors' performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and Board Committees and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director. On a yearly basis, each member of the Board is assessed individually according to, among other things, his/her contributions and effectiveness.

The NC reviews the criteria for evaluation annually and makes changes where necessary to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholder's value, thereafter propose amendments if any, which would be subject to the approval of the Board.

CORPORATE GOVERNANCE

The review parameters for evaluating each Director include, *inter alia*, the following:

- i. attendance at Board and Board Committee meetings;
- ii. preparedness and participation at meetings;
- iii. availability for consultation and advice, when required; and
- iv. knowledge, abilities, teamwork and integrity.

The NC also assessed the effectiveness of the Board as a whole by evaluating factors such as the adequacy and size of the Board, the individual Director's contribution towards the effectiveness of the Board, the Board's access to information, Board processes and accountability and communication with senior management. Each Director completes a self-evaluation checklist which integrates the assessment of the Board, Board committees, Chairman and individual Directors. No external facilitator was used in the evaluation process of the individual Directors and the Board.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

The RC is chaired by Ms Serena Lee Chooi Li and comprises Mr Yeo Guat Kwang and Mr Wong Loke Tan as members, all of whom are Independent Non-Executive Directors.

The key terms of reference of the RC are, *inter alia*, as follows:

- (a) To review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; and
- (b) To review and recommend to the Board the service contracts of Executive Directors and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses.

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

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair and is responsible for reviewing and approving the remuneration packages of the executive Directors and recommending to the Board the fees of the non-executive Directors. The RC's recommendations are submitted for endorsement by the entire Board.

The RC may from time to time, when necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel, so that the Group remains competitive in this regard. During FY2020, the Company did not engage any independent remuneration consultant.

CORPORATE GOVERNANCE

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company's remuneration policy which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, benefits-in-kind, bonuses and options, 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.

The RC seeks to ensure that the structure of remuneration packages for the Executive Directors and key management personnel are appropriate in linking rewards with performance and that such remuneration packages are aligned with the interests of shareholders and promote the long-term success of the Group.

The Company has entered into separate service agreements with the Managing Director/CEO, Mr Foo Chek Heng and the Executive Directors, Mr Foo Suay Wei and Mr Foo Suay Lun of which each initial service agreement are valid for an initial period of three (3) years and subject to automatic renewals every 3 years, on such terms and conditions as the parties agree. Their performance conditions which are pre-determined include conditions such as, *inter alia*, the Group's profit before tax. The RC has reviewed and is of the view that there are no onerous compensation commitments on the part of the Company in the event of termination of these service agreements. The notice period for the termination of these service agreements is three months.

The Independent Non-Executive Directors do not have any service agreements with the Company. The fees of the Independent Directors are determined by the Board, according to the level of their contributions, taking into account factors such as effort and time spent, and their respective responsibilities as Independent Non-Executive Directors. Save for Director's fees, which have to be approved by the Shareholders at every AGM, the Independent Non-Executive Directors do not receive any other remuneration from the Company. Notwithstanding that there were no grant of options in FY2020, the Independent Directors are still eligible to participate in the Koyo International Employee Share Option Scheme 2011 ("**KSOS**") and could potentially be remunerated with extra share options.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown of Directors' remuneration for FY2020 is as follows:

	Director Fee	Salary & CPF	Bonus	Allowance	Total
	%	%	%	%	%
S\$750,000 – S\$999,999					
Foo Chek Heng	–	82	10	8	100
S\$500,000 – S\$749,999					
Foo Suay Wei	–	78	10	12	100
S\$250,000 – S\$499,999					
Foo Suay Lun	–	73	9	18	100
Below S\$250,000					
Wong Loke Tan	100	–	–	–	100
Yeo Guat Kwang	100	–	–	–	100
Serena Lee Chooi Li	100	–	–	–	100

Details of the KSOS can be found on pages 32 to 33 and 50 to 51, note18 of the notes to financial statement of this annual report.

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

A breakdown, showing the remuneration paid to the Group's top 5 key management personnel (who are not Directors or the Managing Director/CEO of the Company) for FY2020 is as follows:

	Salary & CPF	Bonus	Allowance	Total
	%	%	%	%
Below S\$250,000				
Heng Jee Moi	100	–	–	100
Dalat Kositanon	90	2	8	100
Goh Hwee Hiong	100	–	–	100
Goh Chin Hiew	90	2	8	100
Goh Teck Soon	100	–	–	100

Details of the KSOS can be found on pages 32 to 33 and 50 to 51, note18 of the notes to financial statement of this annual report.

CORPORATE GOVERNANCE

Details, in incremental bands of S\$100,000, of the remuneration of employees who are immediate family members of a Director or the Managing Director/CEO whose remuneration exceeds S\$100,000 for FY2020 is as follows:–

Remuneration Band	Relationship with Director or Managing Director/Chief Executive Officer
S\$100,000 to S\$199,999	
Dalat Kositanon	(1) Spouse of Mr Foo Chek Heng, the Company's Managing Director/Chief Executive Officer (2) Mother of Mr Foo Suay Wei and Mr Foo Suay Lun, the Company's Executive Directors
Below S\$100,000	
Heng Jee Moi	(1) Mother of Mr Foo Chek Heng, the Company's Managing Director/Chief Executive Officer (2) Grandmother of Mr Foo Suay Wei and Mr Foo Suay Lun, the Company's Executive Directors

For FY2020, the total remuneration paid to the Directors (both executive and non-executive) of the Group was S\$1,431,000 and the total remuneration paid to the key top 5 executives (who are not the Directors or the Managing Director/CEO) of the Company was S\$590,000.

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

The Group adopts a remuneration policy for staff comprising fixed component and a variable component. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the Company's and individual's performance. The management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of Koyo's performance.

Share Option Schemes

The KSOS was approved by Shareholders and adopted by the Company on 25 April 2011. The KSOS is administered by the RC. The duration of KSOS is subjected to a maximum period of 10 years from the date that it was adopted. During the term of the scheme, 5,565,000 options had been granted and to-date, there were no outstanding share options as at 31 December 2020. The KSOS will expire on 25 April 2021 after being in place for 10 years and the Group does not intend to set up a new scheme in the near future.

The purpose of the KSOS is to provide an opportunity for the Group's employees, executive Directors and non-executive Directors who have contributed significantly to the growth and development of the Group to participate in the equity of the Company.

The Company, by adopting the KSOS, will give such employees and Directors an opportunity to have a direct interest in the Company and will also help to achieve, *inter alia*, the following positive objectives:

- (i) to motivate such employees and Directors to maintain a high level of performance and contribution;
- (ii) to attract and maintain a group of key employees whose contributions are important to the long term growth and profitability of the Group;
- (iii) to instil loyalty to and a stronger identification by employees with the long-term prosperity of the Group; and
- (iv) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders.

CORPORATE GOVERNANCE

Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to Directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at the discretion of the Remuneration Committee, at Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The market price (“**Market Price**”) is defined as the average of the closing prices of the Company’s ordinary shares as quoted on the Singapore Exchange for three market days immediately preceding the date of the grant.

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

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

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

There were no outstanding share options under the Koyo International Share Option Scheme 2011 as at 31 December 2020.

Further details of the KSOS can be found on pages 32 to 33 and 50 to 51, note 18 of the notes to financial statement of this Annual Report.

ACCOUNTABILITY AND AUDIT

Risk management and internal controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board understands its responsibility to provide a balanced and understandable assessment of the Company’s performance, position and progress. The Board updates shareholders on the operations and financial position of the company through half-yearly and full year announcements as well as timely announcements of other matters on the SGXNET as prescribed by the relevant rules and regulations.

The Management provides the Board with adequate and timely management accounts of the Group’s performance on a regular basis in order to assist the Board in understanding the financial status and performance of the Group and for the Board to effectively discharge its duties.

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders’ interests and the Group’s assets, and to manage risks. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

CORPORATE GOVERNANCE

Risk Management

The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The Company has an Enterprise Risk Management Framework ("**ERMF**") in place for the Group. The ERMF has been reviewed by the AC and approved by the Board of Directors. Based on the ERMF, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2020 to address the risks that the Group considers relevant and material to its operations.

The Company does not have a Board Risk Committee. The Board is of the view that the AC, supported by the Management alongside the ERMF is sufficient to address risk management issues. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

Internal Control

The Company continues to engage Wensen Consulting Asia (S) Pte Ltd as its internal auditor ("**IA**") to perform the Group's internal audit function. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The IA primarily reports directly to the AC and reports administratively to the Managing Director/CEO. The IA has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm which the internal audit function of the Company is outsourced to. The AC, on an annual basis, assesses the independence, effectiveness and adequacy of resources of the IA by examining the scope of the IA work and its independence of areas reviewed and the IA's report. The AC is satisfied that the internal audit function is independent, effective and has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

The AC met with the IA without the presence of management once during FY2020.

The AC is satisfied that the internal audit function is staffed with qualified and experienced professionals with the relevant experience.

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

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

The Board has also received assurance from the Managing Director/CEO, Executive Directors and the Chief Financial Officer that:

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (ii) the internal controls and risk management systems of the Group are adequate and effective in addressing the Group's financial, operational, compliance and information technology control risks as at 31 December 2020.

CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Group, ERMF established and reviewed by the AC and Management, work performed by the IA, and the statutory audit conducted by the external auditors, and the reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC, is of the opinion that the internal controls and risk management systems of the Group are adequate and effective in addressing the Group's financial, operational, compliance and information technology control risks as at 31 December 2020.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group's assets are safeguarded. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the AC Chairman, Mr Wong Loke Tan and two (2) other members, Mr Yeo Guat Kwang and Ms Serena Lee Chooi Li, all of whom (including the chairman of the AC) are Independent Non-Executive Directors. The key terms of reference of the AC includes, *inter alia*:

- (a) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (b) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems, including financial, operational, compliance and information technology controls;
- (c) Reviewing the assurance from the CEO, Executive Directors and CFO on the financial records and financial statements;
- (d) Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (e) Making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors; and
- (f) Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC comprises of:

- (i) Mr Wong Loke Tan, a highly experienced banker as the Chairman of the AC;
- (ii) Mr Yeo Guat Kwang, Assistant Director General of NTUC as a member of the AC; and
- (iii) Ms Serena Lee Chooi Li, a Director of CTLC Law Corporation as a member of the AC.

As the AC members have many years of experience in legal and finance-related matters, the Board considers that the AC members to be appropriately qualified to discharge their responsibilities. None of the AC members were previous partners or Directors of the Company's external audit firm within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or Director of the auditing corporation and none of the AC members hold any financial interest in the external audit firm.

The AC has also met with external and internal auditors, without the presence of Management, once in FY2020.

During FY2020, the external auditors has during the presentation of the audit plan also provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements.

CORPORATE GOVERNANCE

During FY2020, the AC has performed, *inter alia*, the following functions:

A. External & Internal Auditors

The AC has reviewed together with the external and internal auditors:

- i. the audit plans of the external and internal auditors of the Company;
- ii. their audit reports;
- iii. the assistance given by Management to the external and internal auditors; and
- iv. the consolidated financial statements of the Group.

The AC has also reviewed the independence of the external auditors. The AC shall continue to monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors.

The aggregate amount of fees paid or payable to the external auditors during FY2020 is as follows:

Audit fees	–	S\$35,000
Non-audit fees	–	Nil

There were no non-audit services fees paid to the external auditors in FY2020 and accordingly, the AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the re-appointment of Messrs UHY Lee Seng Chan & Co as the external auditors of the Company at the forthcoming AGM.

The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules in relation to its external auditors.

The Company has put in place a whistle-blowing policy whereby employees and external parties may raise concerns about possible improper financial reporting or other matters to any member of the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up actions, all whistle blower reports can be sent to any member of the AC. The members will then report to the Chairman of the AC. The whistle-blowing procedures are clearly communicated to employees during the induction meeting. During FY2020, there was no incident of concern reported to the AC.

B. Review of financial statements

The half-yearly and full-year announcements are presented to the AC for approval, before endorsement by the Board, to ensure the integrity of information to be released.

During the financial year, the AC reviewed the half-year and full-year financial statements of the Company and the Group, including announcements relating thereto, released to Shareholders via SGXNET. The AC shall continue to review the financial statements of the Company and the Group on a half-yearly basis.

In the review of the financial statements for FY2020, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to Shareholders under "Key Audit Matters". Following the review, the AC concurred and agreed with the external auditors and the Management on their assessment, judgements and estimates on the Key Audit Matters reported by the external auditors. The Board had approved the financial statements.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholders are informed of general meetings through the announcements released to the SGXNET and on the Company's corporate website, to ensure fair dissemination to shareholders.

In view of the current Covid-19 situation, the forthcoming AGM to be held in respect of FY2020 will be convened and held by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Alternative Arrangements**") and the joint statement that was issued on 13 April 2020, and subsequently updated on 27 April 2020 and 1 October 2020, by the Monetary Authority of Singapore, the ACRA and the Singapore Exchange Regulation to provide guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place. In view of these developments, general meetings which are held on or before 30 June 2021 can be held via electronic means, and are encouraged to do so. The Alternative Arrangements relating to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to or at the AGM (if any) and appointing the Chairman of the Meeting as the Proxy at the AGM, will be in place.

Printed copies of the notice of general meetings ("**Notice**") and the Company's annual report for the financial year ended 31 December 2020 ("**Annual Report**") will not be sent to members. Instead, this Notice and Annual Report including appendixes and circular(s) are distributed electronically, via the SGXNET URL: <https://www.sgx.com/securities/company-announcement>, via publication on the Company's corporate website, <http://www.koyotech.com> and the following URL: <https://koyointlagm2021.investor.exchange>. This link will be available to shareholders from 12 April 2021 onwards.

Shareholders are given the opportunity to participate effectively in and to vote at general meetings of shareholders.

An independent scrutineer is appointed by the Company for general meetings. Rules, including the voting procedures that govern the general meetings, will be explained to shareholders.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. All the resolutions at the general meetings are single item resolutions.

The Chairman of the Board and the respective chairpersons of the Board Committees are present and available to address questions at the general meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation of the auditors' report. The attendance of the Directors at the general meetings held during the financial year is disclosed in the Company's Annual Report.

Registered shareholders including corporations and custodial services providers who are unable to attend, are allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. This allows shareholders who hold shares through corporations to attend and participate in the AGM via proxies. The Companies Act allows certain members who are relevant intermediaries (the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50) such as corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors, to appoint multiple proxies to attend and participate in the general meetings.

Voting by absentia by mail, facsimile or email is currently not provided in the Company's Constitution as such voting methods would need to be cautiously studied for its feasibility to ensure that the integrity of the information and the authenticity of the shareholder's identity is not compromised.

Notwithstanding that voting by absentia is not provided for in the Company's Constitution, in view of the Alternative Arrangements for the COVID-19 situation, shareholders who wish to vote at the Company's forthcoming FY2020 AGM must submit their proxy form appointing the Chairman of the AGM as proxy to vote on their behalf. Please refer to the Notice of AGM and Proxy Form for the details on the arrangement for the Company's FY2020 AGM to be held by way of electronic means.

CORPORATE GOVERNANCE

The Company will publish the minutes of general meetings of shareholders on the SGX website via SGXNET and the Company's website within one month after the general meeting.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on various factors including (a) the level of available cash; (b) the return on equity and retained earnings; (c) projected level of capital expenditure and other investment plans and other factors as the Directors may deem appropriate. The Company has declared a first and final dividend of S\$0.0005 per ordinary share in respect of FY2020 which is subject to shareholders' approval at the forthcoming AGM.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose all major developments that may have a material impact on the Group to its shareholders, in a timely and fair manner via SGXNET and/or the Company's corporate website, as required by the Catalist Rules. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

Communication is made, using electronic communications, via SGXNET through, *inter alia*:

- Annual report that is prepared and sent to all shareholders by publishing on the Company's corporate website. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards (International);
- Half-yearly and full-year announcements containing a summary of the financial information and affairs of the Group for that period; and
- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("EGMs").

The Company's website at <http://www.koyotech.com> at which our shareholders can access financial information and profile of the Group.

The Company does not have a dedicated investor relations team, as communications with shareholders is the responsibility of the Management.

The Board welcomes the views of shareholders on matters affecting the Company whether at a shareholders' meeting or on an ad hoc basis. However, due to the current Covid-19 restriction orders that have been put in place, alternative arrangements pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Order 2020 have been put in place for the forthcoming FY2020 AGM. Shareholders will hence not be able to ask questions during the live webcast, and therefore it is important for shareholders who wish to ask questions to submit their questions in advance. A shareholder of the Company may submit questions relating to resolutions to be tabled for approval at the AGM or the Company's businesses and operations no later than 2.00 p.m. on 19 April 2021. The Company shall only address relevant and substantial questions prior to or of the general meeting and will endeavour to publish its response to those questions on the SGXNET and the Company's website on 23 April 2021.

All resolutions are put to vote by poll in all its general meetings and is integral in the enhancement of corporate governance. For cost effectiveness, the voting of the resolutions at the general meetings are conducted by manual polling and their detailed results are announced at the meeting. The outcome of the general meeting is promptly announced via SGXNET after the general meeting.

CORPORATE GOVERNANCE

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has undertaken the process in identifying its stakeholders and material aspects relevant to the Group's business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. The key stakeholders include, but are not limited to employees, suppliers & service providers, investors & shareholders, customers and regulators. The Company had adopted both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into the Company's corporate strategies to achieve mutually beneficial relationships. The Company has disclosed its engagement platforms with the stakeholders in the Company's sustainability report for FY2020, which is included in this Annual Report.

The Company maintains their website at <http://www.koyotech.com> to communicate and engage with stakeholders. On the website, stakeholders can find explanations about our expertise, our Company Profile, career opportunities, Annual Reports and other information.

ADDITIONAL INFORMATION

Dealing in Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted a set of code of conduct to provide guidance to its officers regarding dealings in the Company's securities.

The Company and its officers are not allowed to deal in the Company's securities during the period commencing one (1) month before the announcement of the Company's full year or half-year financial results and ending on the date of the announcement of such results and at any time they are in possession of unpublished material price sensitive information in relation to these securities. Directors and officers are also expected to observe insider trading laws at all times (including the permitted trading periods) or when they are in possession of unpublished price-sensitive information and advised not to deal in the Company's securities on short-term considerations.

Risk Management

The Company is continually reviewing and improving the business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions.

Interested Person Transactions

The Group has procedures governing all interested person transactions ("IPT") to ensure that they are properly documented and reported in a timely manner to the AC and that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

There were no IPTs that were S\$100,000 and above during FY2020.

The Group does not have a general mandate from shareholders for the recurrent IPT.

Non-Sponsor Fees

There were no non-sponsor fees paid/payable to PrimePartners Corporate Finance Pte. Ltd. during FY2020.

CORPORATE GOVERNANCE

Material Contracts

There were no material contracts entered into by the Group involving the interests of the CEO, the Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Information for the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Catalist Rules:

Details	Name of Retiring Director	
	Foo Suay Wei	Wong Loke Tan
Date of Appointment	26 December 2014	12 August 2016
Date of last re-appointment (if applicable)	27 April 2018	29 April 2019
Age	36	66
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Foo Suay Wei's contribution as Executive Director of the Company.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered that Mr. Wong Loke Tan is able to exercise judgement as the Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Wong Loke Tan to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive. Oversees the operations of the Group and contributes to its business development and strategic plans. Mr. Foo Suay Wei is currently covering the duties and responsibilities of Mr. Foo Chek Heng, Managing Director and CEO, during his leave of absence.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Non-Executive Chairman, Audit Committee Chairman and Remuneration Committee Member

CORPORATE GOVERNANCE

Details	Name of Retiring Director	
	Foo Suay Wei	Wong Loke Tan
Professional qualifications	<p>Member of the Institute of Singapore Chartered Accountants, a fellow of the Association of Chartered Certified Accountants.</p> <p>A member of the Chartered Alternative Investment Analyst, and the Chartered Financial Analyst Institute.</p> <p>Bachelor of Engineering degree from the National University of Singapore.</p> <p>Master of Business Administration degree from the University of Cambridge.</p>	<ul style="list-style-type: none"> • Master of Business Administration, Brunel University, London • Executive Diploma in Directorship, Singapore Management University and Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	<p>Mr Foo Suay Wei joined Koyo in August 2013 as Strategy and Business Development Manager and was promoted to Senior Manager in March 2014. He was previously an Assistant Director at the Monetary Authority of Singapore from 2009 to 2012.</p> <p>Mr. Foo Suay Wei was appointed as Managing Director of Koyo Engineering on 28 October 2016.</p>	<p>Senior Vice President, Maybank Singapore July 2003 to June 2016</p> <p>Independent Director, Koyo International Limited since August 2016 to present</p> <p>Independent Director of Union Steel Holdings Limited since 18 November 2016 to present</p> <p>Independent Director, Adventus Holdings Limited since May 2017 to present</p> <p>Independent Non-Executive Director, K2 F&B Holdings Limited since February 2019 to present</p> <p>Non-Executive Independent Director, International Cement Group Ltd. since December 2019 to present</p>
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

CORPORATE GOVERNANCE

Details	Name of Retiring Director	
	Foo Suay Wei	Wong Loke Tan
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<p>Son of Mr Foo Chek Heng, Managing Director and a substantial shareholder of Koyo.</p> <p>Brother of Mr Foo Suay Lun, Executive Director of Koyo.</p> <p>Grandson of Madam Heng Jee Moi, who is a joint tenant shareholder of Salix Capital Pte Ltd (a substantial shareholder of Koyo) with her grandson Mr Foo Suay Lun, Executive Director.</p> <p>Son of Mdm Dalat Kositanon, an existing executive officer of Koyo.</p>	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	<p><u>Past (for the last 5 years)</u></p> <p>Nil</p> <p><u>Present</u></p> <p>Koyo Engineering (S.E. Asia) Pte Ltd</p>	<p><u>Past (for the last 5 years)</u></p> <p>Nil</p> <p><u>Present</u></p> <p>Independent Director of Union Steel Holdings Limited since 18 November 2016 to present</p> <p>Independent Director of Adventus Holdings Limited since 11 May 2017 to present</p> <p>Independent Non-Executive Director of K2 F & B Holdings Limited (listed on main board of Hong Kong Stock Exchange) since 01 February 2019 to present</p> <p>Non-Executive Independent Director of International Cement Group Ltd. since 16 December 2019 to present</p>

CORPORATE GOVERNANCE

Details		Name of Retiring Director	
		Foo Suay Wei	Wong Loke Tan
The general statutory disclosures of the Directors are as follows:			
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a Director or an equivalent person or a key executive, at the time when he was a Director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c.	Whether there is any unsatisfied judgment against him?	No	No

CORPORATE GOVERNANCE

Details		Name of Retiring Director	
		Foo Suay Wei	Wong Loke Tan
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

CORPORATE GOVERNANCE

Details		Name of Retiring Director	
		Foo Suay Wei	Wong Loke Tan
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h.	Whether he has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE

Details		Name of Retiring Director	
		Foo Suay Wei	Wong Loke Tan
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE

Information required		
Disclosure applicable to the appointment of Director only.		
Details	Name of Retiring Director	
	Foo Suay Wei	Wong Loke Tan
Any prior experience as a Director of an issuer listed on the Exchange?	Not Applicable This is a re-election of a Director.	Not Applicable This is a re-election of a Director.
If yes, please provide details of prior experience.	Not Applicable	Not Applicable
If no, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange.	Not Applicable	Not Applicable

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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members together with the audited financial statements of Koyo International Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Foo Chek Heng
 Foo Suay Wei
 Foo Suay Lun
 Yeo Guat Kwang
 Wong Loke Tan
 Serena Lee Chooi Li

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under “Share options” on pages 50 to 51 of this statement.

4. Directors' interests in shares and debentures

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

	Holdings registered in name of nominee			Holdings registered in name of director		
	At	At	At	At	At	At
	<u>21.01.2021</u>	<u>31.12.2020</u>	<u>01.01.2020</u>	<u>21.01.2021</u>	<u>31.12.2020</u>	<u>01.01.2020</u>
Company (No. of ordinary shares)						
Foo Chek Heng	400,000	400,000	400,000	72,725,500	72,725,500	72,725,500
Foo Suay Lun	49,449,500	49,449,500	49,449,500	–	–	–
Yeo Guat Kwang	–	–	–	790,000	790,000	790,000
Serena Lee Chooi Li	1,500,000	1,500,000	1,500,000	–	–	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

Mr Foo Suay Lun, who by virtue of his deemed interest of not less than 20% of the issued capital of the Company, via the shares held by Salix Capital Pte Ltd, which is 100% owned by his grandmother, Ms Heng Jee Moi with joint tenant with Mr Foo Suay Lun with right of survivorship, is deemed to have an interest in the share capital of the Company's wholly owned subsidiaries.

5. Share options

(a) Koyo International Employee Share Option Scheme 2011 ("KSOS")

On 25 April 2011, shareholders approved the KSOS for the Group's employees, executive directors and non-executive directors who satisfy the eligibility criteria of the KSOS. The KSOS remains in force at the discretion of the KSOS Committee, subject to a maximum period of ten years effective from 2011. The KSOS is administered by the Remuneration Committee which comprises its Chairman, Ms Serena Lee Chooi Li, and members, Mr Wong Loke Tan and Mr Yeo Guat Kwang.

Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at, the discretion of the Remuneration Committee, Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The Market Price is defined as the average of the closing prices of the Company's ordinary shares as quoted on the SGX-ST for three market days immediately preceding the date of the grant.

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

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the KSOS, shall not exceed 15% of the issued share capital (excluding treasury shares and subsidiary holdings, if any) of the Company on the date immediately preceding the date of grant of an option.

The KSOS became operative upon the Company granting options to subscribe for 5,165,000 ordinary shares and 400,000 ordinary shares of the Company on 15 December 2011 ("**2011 Options**") and 23 January 2013 ("**2013 Options**") respectively. Apart from the 2011 Options and 2013 Options, there were no other options granted in prior years. Particulars of the 2011 Options and 2013 Options were set out in the Directors' statement for the financial years ended 31 December 2011 and 31 December 2013 respectively. The Company did not grant any options during the current financial year ended 31 December 2020.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5. Share options (Continued)

(a) Koyo International Employee Share Option Scheme 2011 ("KSOS") (Continued)

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

Name of participants	Exercise period	No. of Unissued Ordinary Shares of the Company under Option					Aggregate options outstanding as at 31.12.2020	Exercise price \$
		Options granted in the financial year 31.12.2020	Aggregate options granted since commencement of KSOS to 31.12.2020	Aggregate options exercised since commencement of KSOS to 31.12.2020	Aggregate options lapsed since commencement of KSOS to 31.12.2020	Aggregate options outstanding as at 31.12.2020		
Foo Chek Heng – Executive director	2013 – 2016 ⁽¹⁾	–	2,865,000	(2,865,000)	–	–	0.04	
Serena Lee Chooi Li – Non-executive director	2013 – 2016 ⁽¹⁾	–	500,000	–	(500,000)	–	0.04	
Yeo Guat Kwang – Non-executive director	2013 – 2016 ⁽¹⁾	–	500,000	(500,000)	–	–	0.04	
Key executives	2013 – 2016 ⁽¹⁾	–	800,000	(800,000)	–	–	0.04	
Key executives	2015 – 2018 ⁽²⁾	–	400,000	(400,000)	–	–	0.053	
Lee Chen Chong – Former non-executive Chairman (Resigned on 1 January 2017)	2013 – 2016 ⁽¹⁾	–	500,000	(500,000)	–	–	0.04	
Total		–	5,565,000	(5,065,000)	(500,000)	–		

Notes:

(1) Pertaining to 2011 Options

(2) Pertaining to 2013 Options

(b) Options to take up unissued shares

There were no unissued ordinary shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Audit committee

The Audit Committee ("AC") comprises the following members:

Wong Loke Tan (Chairman)
Yeo Guat Kwang
Serena Lee Chooi Li

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

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the Company's internal and external auditors, the internal and external auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviewed the half yearly announcement and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors (the "**Board**");
- Reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational, compliance and information technology controls and their risk management via reviews carried out by the internal auditor.
- Met with the external auditor and internal auditors at least once annually, to discuss any problem and concern they may have;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements related compliance policies and regulations and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Made recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- Reviewed the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- Reviewed and approved interested person transactions in accordance with the requirements of the SGX-Listing Manual, Section B: Rules of Catalyst.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. Independent auditor

The independent auditor, UHY Lee Seng Chan & Co, has expressed its willingness to accept re-appointment.

On behalf of the board of directors

Foo Suay Wei
Director

Wong Loke Tan
Director

9 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Koyo International Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the **Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
<p>Construction contracts and facilities management</p> <p>The Group's revenue for the financial year ended 31 December 2020 comprise construction contracts and facilities management.</p> <p>For construction contracts, the performance obligation milestone is measured by reference to the value of work done certified by a third-party assessor (i.e. work done certified by the quantity surveyor, consultants or acknowledgement by customers).</p> <p>Similarly, for facilities management, the performance obligation milestone is measured by reference to the value of work done as indicated in the work service order which is to be acknowledged/certified by the customers.</p> <p>Significant assumptions and judgements are required to estimate the total construction revenue, variation or claims recognised as contract revenue.</p> <p>The key assumptions to the estimate of total construction revenue, variation or claims as contract revenue are disclosed in Note 3.2(a).</p>	<p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> We obtained an understanding of the projects under construction through discussions with management and examination of project documentation (including contracts and correspondences with customers). Traced total contract sums to contracts and variation orders entered into by the Group with its customers; Traced value of work recognised as construction revenue to the quantity surveyors certifications; and Assessed the reasonableness of the revenue recognised via discussions with the project teams and obtaining corroborating evidence such as correspondence with the customers.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Other Matter

The consolidated financial statements of the Group and the statement of financial position of the Group for the financial year ended 31 December 2019 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 2 April 2020.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

- (a) Chairman and Executive Director's message;
- (b) Business Overview;
- (c) Performance Review;
- (d) Five-Year Financial Summary;
- (e) Corporate Structure;
- (f) Corporate Profile;
- (g) Board Members
- (h) Key Management Team;
- (i) Sustainability Report;
- (j) Corporate Governance;
- (k) Statistics of Shareholdings;
- (l) Notice of Annual General Meeting;
- (m) Appendix – Proposed Renewal of the Share Buyback Mandate; and
- (n) Proxy Form – AGM
- (o) Corporate Information

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOYO INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Lee Sen Choon.

UHY Lee Seng Chan & Co

Public Accountants and
Chartered Accountants
Singapore

9 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Revenue	4	16,861	19,903
Cost of construction	5	(12,057)	(14,675)
Gross profit		4,804	5,228
Other income	7	2,173	371
Expenses			
– Selling and distribution	5	(71)	(81)
– Administrative	5	(6,308)	(4,992)
– Allowance for expected credit losses	12	(6)	–
– Other operating	5	(117)	(60)
– Finance	5	(17)	(7)
Profit before income tax		458	459
Income tax expense	8	(37)	(69)
Net profit		421	390
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Net fair value losses on equity instruments at fair value through other comprehensive income	19(b)(i)	(4)	(4)
Other comprehensive loss, net of tax		(4)	(4)
Total comprehensive income		417	386
Profit attributable to:			
Equity holders of the Company		421	390
Total comprehensive income attributable to:			
Equity holders of the Company		417	386
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	9	0.22	0.21
– Diluted	9	0.22	0.21

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

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000 (Restated)	2020 \$'000	2019 \$'000
ASSETS					
Current assets					
Cash and bank balances	10	17,763	23,505	1,486	1,531
Trade and other receivables	12	4,805	1,874	72	26
Contract assets	13(i)	1,911	1,365	–	–
Inventories		–	13	–	–
		24,479	26,757	1,558	1,557
Non-current assets					
Investment securities	11	18	22	–	–
Investments in subsidiaries	14	–	–	28,450	28,450
Property, plant and equipment	15	3,940	881	162	244
		3,958	903	28,612	28,694
Total assets		28,437	27,660	30,170	30,251
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	535	39	–	22
Current liabilities					
Trade and other payables	16	5,858	5,022	1,102	1,084
Contract liabilities	13(ii)	1,702	2,577	–	–
Lease liabilities	17	277	170	22	51
Current income tax liabilities		70	84	–	–
		7,907	7,853	1,124	1,135
Total liabilities		8,442	7,892	1,124	1,157
NET ASSETS		19,995	19,768	29,046	29,094
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18(a)	4,477	4,477	40,072	40,072
Treasury shares	18(b)	(630)	(630)	(630)	(630)
Other reserves	19	(265)	(261)	–	–
Retained profits / (accumulated losses)	20	16,413	16,182	(10,396)	(10,348)
Total equity		19,995	19,768	29,046	29,094

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Treasury shares S\$'000	Other reserves \$'000	Retained profits \$'000		
2020						
At 1 January	4,477	(630)	(261)	16,182	19,768	
Profit for the year	-	-	-	421	421	
Other comprehensive income	-	-	(4)	-	(4)	
Net fair value losses on equity securities at fair value through OCI	-	-	(4)	-	(4)	
Total comprehensive income for the year	-	-	(4)	421	417	
Contribution by and distributions to owners	-	-	-	(190)	(190)	
Dividends	-	-	-	(190)	(190)	
Total contributions by and distributions to owners representing total transactions with owners in their capacity as owners	-	-	-	(190)	(190)	
At 31 December	4,477	(630)	(265)	16,413	19,995	

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Attributable to equity holders of the Company				
	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Retained profits \$'000	Total equity \$'000
2019					
At 1 January	4,477	(630)	(257)	15,982	19,572
Profit for the year	-	-	-	390	390
Other comprehensive income	-	-	(4)	-	(4)
Net fair value losses on equity securities at fair value through OCI	-	-	(4)	390	386
Total comprehensive income for the year	-	-	(4)	390	386
Contribution by and distributions to owners	-	-	-	(190)	(190)
Dividends	-	-	-	(190)	(190)
Total contributions by and distributions to owners representing total transactions with owners in their capacity as owners	-	-	-	(190)	(190)
At 31 December	4,477	(630)	(261)	16,182	19,768

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	Group 2019 \$'000
Cash flows from operating activities			
Net profit		421	390
Adjustments for:			
– Income tax expense	8	37	69
– Depreciation of property, plant and equipment	5	630	370
– Allowance for expected credit losses		6	–
– Interest expenses		17	7
– Interest income	7	(186)	(318)
– Gain on disposal of property, plant and equipment	7	(41)	(1)
		<u>884</u>	<u>517</u>
Changes in working capital:			
– Inventories		13	(9)
– Trade and other receivables, contract assets		(3,553)	1,633
– Trade and other payables, contract liabilities		(39)	1,017
		<u>(2,695)</u>	<u>3,158</u>
Cash (used in) / generated from operations		<u>(51)</u>	<u>(161)</u>
Income tax paid		<u>(2,746)</u>	<u>2,997</u>
Net cash (used in) / generated from operating activities		<u>(2,746)</u>	<u>2,997</u>
Cash flows from investing activities			
Additions to property, plant and equipment (Note A)		(2,902)	(291)
Proceeds from disposal of property, plant and equipment		46	1
Interest received		256	344
		<u>(2,600)</u>	<u>54</u>
Net cash (used in)/generated from investing activities		<u>(2,600)</u>	<u>54</u>
Cash flows from financing activities			
Secured bank deposits pledged to banks		(5)	(5)
Interest paid		(17)	(7)
Principal payment of lease liabilities		(189)	(187)
Dividends paid to equity holders of the Company	21	(190)	(190)
		<u>(401)</u>	<u>(389)</u>
Net cash used in financing activities		<u>(401)</u>	<u>(389)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(5,747)</u>	<u>2,662</u>
Cash and cash equivalents at 1 January		<u>22,390</u>	<u>19,728</u>
Cash and cash equivalents at 31 December	10	<u>16,643</u>	<u>22,390</u>

Note A:

During the financial year ended 31 December 2020, the Group acquired property, plant and equipment with an aggregate cost of \$3,694,000 (2019: \$542,000), of which \$792,000 (2019: \$251,000) was acquired under leases and the remaining \$2,902,000 (2019: \$291,000) via cash payment.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Reconciliation of liabilities arising from financing activities

Group

	1 January \$'000	Principal and interest payments \$'000	Non-cash changes		31 December \$'000
			Accretion of interest \$'000	Others \$'000	
2020					
Lease liabilities	<u>209</u>	<u>(206)</u>	<u>17</u>	<u>792</u>	<u>812</u>
2019					
Lease liabilities	<u>145</u>	<u>(194)</u>	<u>7</u>	<u>251</u>	<u>209</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

1 General information

Koyo International Limited (“Company”) is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited (“SGX-ST”) and incorporated and domiciled in Singapore. The address of its registered office is 53 Ubi Avenue 3, #02-01, Singapore 408863.

The principal activities of the Company are those of investment holding and business of providing integrated mechanical and electrical engineering (“M&E”) services.

The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I)s 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.

2.2 Interpretations and amendments to published standards effective in 2020

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2020:

1 January 2020	Amendments to:
	<ul style="list-style-type: none"> – SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Error (Definition of Material) – SFRS(I) 3 Business Combinations (Definition of a Business) – SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement and SFRS(I) 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform) – Conceptual Framework for Financial Reporting

The Group’s adoption of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 17: Insurance Contracts	1 January 2023
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to SFRS(I)s 2018-2020: Annual Improvements SFRS(I)s 2018-2020	1 January 2022

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

Early adoption of amendment to SFRS(I) 16 Leases (Covid-19 Related Rent Concessions)

The Group has elected to early adopt the amendments to SFRS(I) 16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of \$17,000 (Note 7) was recognised as negative variable lease payments (i.e. reduction in the rental expenses) in the profit or loss during the year.

2.4 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The following specific recognition criteria must also be met before revenue is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Contract revenue from:

(i) *Construction contracts*

Revenue is recognised over time by reference to the Group's progress towards completing the contracts. The measure of progress is determined by the value of work performed relative to the total contract value as determined by surveys of work performed ("output method").

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customer from the Group's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Company exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

(ii) *Facilities management*

Revenue from facilities management is recognised in the accounting period in which the services have been performed and rendered to the customer.

A contract asset is recognised when the Group has performed under the contract but has billed the customer.

The Group becomes entitled to invoice customers for services based on achieving a series of performance-related milestones acknowledged by customer.

2.5 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.6 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 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.

(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 subsidiaries 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 subsidiaries measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.6 Group accounting (Continued)

(b) Reverse acquisition

The acquisition of the Acquired Group (Note 18(a)) has been accounted for as a reverse acquisition and the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the Statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are those of the Acquired Group's consolidated financial statements.

Since such consolidated financial statements represent a continuation of the Acquired Group:

- (i) the assets and liabilities of the Acquired Group are recognised and measured in the Statement of financial position at their pre-acquisition carrying amount and assets and liabilities of the Company are recognised at their fair values;
- (ii) the retained profits and other equity balances (except for share capital) recognised in those consolidated financial statements are those of the Acquired Group immediately before the acquisition;
- (iii) the amount recognised as issued equity instruments in those consolidated financial statements is the issued equity of the Acquired Group immediately before the acquisition plus the costs of the acquisition calculated from the perspective of the Company. However, the equity structure appearing on those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to reflect the combination;
- (iv) consolidated financial statements prepared following a reverse acquisition shall reflect the fair value of the assets, liabilities and contingent liabilities of the Company. Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Company that satisfy the recognition criteria. The excess of the cost of the combination over the Acquired Group's interest in the net fair value is recognised as goodwill.

2.7 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

(b) Depreciation

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

	<u>Useful lives</u>
Computers	1 year
Office equipment and tools	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Renovation	5 years
Leasehold property	1.17 to 6.13 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.8 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position.

2.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.9 Impairment of non-financial assets (Continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

2.10 Financial assets

(a) *Classification and measurement*

Financial assets are classified in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.10 Financial assets (Continued)

(a) Classification and measurement (Continued)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and cash equivalents and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 25(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.10 Financial assets (Continued)

(c) Recognition and derecognition (Continued)

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for banking facilities for its subsidiaries. In the event the subsidiaries utilise these banking facilities, these guarantees will be financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) amount initially recognised the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.13 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.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices on the last working day of the financial year. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.15 Leases

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contains both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.15 Leases (Continued)

When the Group is the lessee (Continued):

- Lease liabilities (Continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a changes in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term leases and low value assets

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.16 Income taxes (Continued)

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2.17 Provisions for other liabilities and charges

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

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 profit or loss as finance expense.

2.18 Employee compensation

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

(a) *Defined contribution plans*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.18 Employee compensation (Continued)

(b) *Share-based compensation*

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

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

(c) *Employees leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(d) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit before income tax. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.19 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "Other income", if any.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Significant accounting policies (Continued)

2.20 Segment reporting

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

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value less the portion that are pledged as securities for the banking facilities of the Group.

2.22 Share capital

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

2.23 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 Dividends to Company's shareholders

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

3. Critical accounting estimates, assumptions and judgements

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

3.1 Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2 to the financial statements, management is of the opinion that there are no significant judgements made, apart from those involving estimates as detailed in Note 3.2, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimated uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. Critical accounting estimates, assumptions and judgements (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(a) *Revenue recognition – determining the timing of satisfaction of performance obligations*

For the construction contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction work.

Significant assumptions and judgements are required to estimate the total construction revenue, variation or claims recognised as contract revenue. In making these estimates, management has relied on past experience and the work of specialists.

The Group becomes entitled to invoice customers for construction based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third-party assessor (i.e. work done certified by the quantity surveyor, consultants or acknowledgement by customers) and an invoice for the related milestone payment.

The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which its right to consideration become unconditional.

If the milestone payment exceeds the revenue recognised to date by reference to the value of work done certified or acknowledged by a third-party assessor, then the Group recognises a contract liability for the difference. These are not considered to be significant financing component in construction contracts as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract.

(b) *Provision for expected credit losses ("ECLs") of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 25(b).

The carrying amounts of trade receivables and contract assets at the end of the reporting period was \$4,884,000 (2019: \$2,506,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 27).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2020	2019
	\$'000	\$'000
Construction contracts		
Mechanical (Singapore)		
– At a point in time	2	–
– Over time	6,332	8,632
Electrical (Singapore)		
– At a point in time	–	–
– Over time	2,026	1,120
	8,360	9,752
Facilities management (Singapore)		
– At a point in time	8	–
– Over time	8,493	10,151
	16,861	19,903

5. Expenses by nature

	Group	
	2020	2019
	\$'000	\$'000
Fees on audit services paid/payable to:		
– auditor of the Company	35	41
– fee for internal audit	12	12
Purchases of construction material	1,773	1,505
Subcontractor charges	6,703	10,676
Depreciation of property, plant and equipment (Note 15)	630	370
Employee compensation (Note 6)	8,210	6,303
Professional fee	139	135
Lease expense	473	269
Upkeep of motor vehicles and transportation	171	157
Others	407	340
Total cost of construction, selling and distribution, administrative and other operating expenses	18,553	19,808
Finance costs		
Interest expense on:		
– Lease liabilities [(Note 22(c))]	17	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Employee compensation

	Group	
	2020	2019
	\$'000	\$'000
Wages, salaries and short-term employee benefits	7,876	6,029
Employer's contribution to Central Provident Fund	334	274
	8,210	6,303

7. Other income

	Group	
	2020	2019
	\$'000	\$'000
Interest income		
– Bank deposits	186	318
Government grant		
– Job Support Scheme ("JSS") ⁽¹⁾	896	–
– Waiver/rebate foreign worker levy ⁽²⁾	898	–
– BCA –Covid-Safe firm support	42	–
– Special Employment Credit ("SEC")	12	10
– Wage credit from IRAS	20	4
– Enterprise grant	20	–
Rental waiver	17	–
Sales of scrap materials	18	2
Gain on disposal of property, plant and equipment	41	1
Other	23	36
	2,173	371

Interest income is recognised using the effective interest method.

⁽¹⁾ The Jobs Support Scheme provides wage support to employers to help them retain their local employees during this period of economic uncertainty arising from the on-going Covid-19 pandemic. Employers who have made CPF contributions for their local employees will qualify for the payouts under the scheme.

⁽²⁾ The Singapore Government provided business employers who hire foreign workers on work permits and S-passes with Foreign Worker Levy (FWL) waiver and FWL rebates to ease the labour costs of such firms during the Covid-19 pandemic.

8. Income tax expense

(a) Income tax expense

	Group	
	2020	2019
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
– Profit for the financial year: Current income tax	67	60
– (Over)/Under provision in prior financial years: Current income tax	(30)	9
	37	69

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. Income tax expense (Continued)

(a) Income tax expense (Continued)

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

	Group	
	2020	2019
	\$'000	\$'000
Profit before income tax	458	459
Tax calculated at tax rate of 17% (2019: 17%)	78	78
Effects of:		
– deferred tax assets not recognised	35	–
– expenses not deductible for tax purposes	89	31
– income not subject to tax	(93)	–
– Singapore stepped income exemption	(5)	(17)
– tax incentives	(33)	(41)
– (over)/underprovision in prior financial years	(30)	9
– others	(4)	9
Tax charge	37	69

(b) Deferred income taxes

Deferred tax assets have not been recognised in respect of the unrecognised tax losses of \$971,000(2019: \$985,000), because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. The tax losses have no expiry date.

9. Earnings per share

	Group	
	2020	2019
Net profit attributable to equity holders of the Company (\$'000)	421	390
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	189,824	189,824
Adjustments for share options ('000)	–	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	189,824	189,824
Earnings per share (in cents per share)		
– Basic	0.22	0.21
– Diluted	0.22	0.21

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 (excluding treasury shares which has no voting rights) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. Earnings per share (Continued)

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. There are no potential dilutive ordinary shares as at 31 December 2020 and 31 December 2019.

10. Cash and bank balances

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash on hand	1	1	-	-
Cash at bank	10,501	7,069	1,386	631
Short-term bank deposits	7,261	16,435	100	900
	17,763	23,505	1,486	1,531

Short-term bank deposits of \$1,120,000 (2019: \$1,115,000) are pledged to banks as securities for the banking facilities of the Group. The short-term bank deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

In addition, the Company provides corporate guarantee for banking facilities of its subsidiaries.

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

	Group	
	2020 \$'000	2019 \$'000
Cash and bank balances (as above)	17,763	23,505
Less: Bank deposits pledged	(1,120)	(1,115)
Cash and cash equivalents in consolidated statement of cash flows	16,643	22,390

11. Investment securities

Financial instruments, at FVOCI

	Group	
	2020 \$'000	2019 \$'000
Equity securities (quoted)		
At 1 January	22	26
Fair value losses	(4)	(4)
At 31 December	18	22

The Company has elected to measure these quoted equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity securities for long-term appreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12. Trade and other receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables				
– Non-related parties	3,787	1,949	43	–
– Related parties	–	–	21	17
Less: Allowance for expected credit losses	(814)	(808)	–	–
Trade receivables – net	2,973	1,141	64	17
Other receivables				
– Non-related parties	369	100	4	–
Deposits to suppliers for purchase of materials	1,124	–	–	–
Refundable deposits	117	97	–	4
Prepayments	222	536	4	5
	4,805	1,874	72	26

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL was as follows:

	2020 \$'000	2019 \$'000
At 1 January	808	1,105
Allowance for expected credit losses	6	–
Utilised amount	–	(297)
At 31 December	814	808

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. Contract balances

The following table provides information about contract assets and contract liabilities for contracts with customers.

		Group	
	31 December	31 December	1 January
	2020	2019	2019
	\$'000	\$'000	\$'000
		(Restated)	
Trade receivables (Note 12)	2,973	1,141	2,935
Contract assets	(i) 1,911	1,365	1,650
Contract liabilities	(ii) (1,702)	(2,577)*	–

* Contract liabilities of \$1,108,000 as at 31 December 2019 had been reclassified from trade and other payables due to advance mobilisation payment received from customers.

(i) Contract assets

		Group	
	31 December	31 December	1 January
	2020	2019	2019
	\$'000	\$'000	\$'000
Construction contracts			
– Due from customers	2,570	2,132	2,177
– Retentions	405	297	537
	2,975	2,429	2,714
Less: Allowance for expected credit losses	(1,064)	(1,064)	(1,064)
	1,911	1,365	1,650

Amounts related to construction contracts are balances due from customers under construction contracts that relate to the Company's right to consideration for work completed but not yet billed at reporting date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which its right to consideration become unconditional.

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL was as follows:

	2020	2019
	\$'000	\$'000
At 1 January / 31 December	1,064	1,064

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. Contract balances (Continued)

(ii) Contract liabilities

Contract liabilities relate primarily to progress billing issued in excess of the Group's rights to the consideration. The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer.

	31 December 2020 \$'000	Group 31 December 2019 \$'000 (Restated)	1 January 2019 \$'000
Construction contracts –due to customers At 1 January	(2,577)	(3,853)	–
Revenue recognised for performance obligation satisfied	875	1,276	–
At 31 December	(1,702)	(2,577)	–

(iii) Significant changes in contract assets are explained as follows:

	Group 2020 \$'000	2019 \$'000
Contract assets reclassified to receivables	(985)	(1,451)
Excess of revenue recognised over cash	1,531	1,166

(iv) Remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 31 December 2020 is \$127,400,000 (2019: \$137,300,000).

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

	2021	2022	2023 to 2027	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2020				
Construction contracts	34,250	26,732	66,418	127,400
	2020	2021	2022 to 2027	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2019				
Construction Contracts	16,116	30,122	91,062	137,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. Investments in subsidiaries

	Company	
	2020	2019
	\$'000	\$'000
<i>Equity investments at cost</i>		
At 1 January	28,450	27,950
Additions	–	500
At 31 December	28,450	28,450

The Group had the following subsidiaries as at 31 December 2020 and 2019:

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group	
			2020	2019
			%	%
<u>Held by the Company</u>				
Koyo Engineering (S.E. Asia) Pte. Ltd. ⁽¹⁾	Providing integrated mechanical and electrical engineering (M&E) services and facilities management services	Singapore	100	100
AVSC Technologies Pte. Ltd. ⁽¹⁾	– Supply of essential construction materials, including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates – Supply and installation of audio, video and security and communication systems	Singapore	100	100
<u>Held by Koyo Engineering (S.E. Asia) Pte. Ltd.</u>				
Koyo M&E Pte. Ltd. ⁽¹⁾	Engineering contract works	Singapore	100	100
Koyo Eco Pte. Ltd. ⁽¹⁾	Environmental engineering work	Singapore	100	100
<u>Held by Koyo M&E Pte. Ltd.</u>				
Renewal D+B ⁽²⁾⁽⁴⁾	Interior design services and renovation work (dormant)	Singapore	100	100
<u>Held by Koyo Eco Pte. Ltd.</u>				
Keco Trading ⁽³⁾⁽⁴⁾	General trading of products	Singapore	100	100

⁽¹⁾ Audited by UHY Lee Seng Chan & Co (2019: RT LLP)

⁽²⁾ The sole proprietorship is not required to be audited and is dormant during the financial year.

⁽³⁾ The sole proprietorship is not required to be audited.

⁽⁴⁾ Audited by UHY Lee Seng Chan & Co (2019: RT LLP) for the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

15. Property, plant and equipment

Group 2020	Office equipment and tools \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Renovation \$'000	Leasehold properties* \$'000	Total \$'000
<i>Cost</i>							
At 1 January	208	70	1,317	246	99	221	2,161
Additions	13	1	194	43	-	3,443	3,694
Disposal/Write off	-	(2)	(356)	-	-	-	(358)
At 31 December	221	69	1,155	289	99	3,664	5,497
<i>Accumulated depreciation</i>							
At 1 January	152	52	688	246	40	102	1,280
Depreciation charge (Note 5)	24	6	217	43	20	320	630
Disposal/Write off	-	(1)	(352)	-	-	-	(353)
At 31 December	176	57	553	289	60	422	1,557
Carrying amount	45	12	602	-	39	3,242	3,940
2019							
<i>Cost</i>							
At 1 January	203	75	1,061	206	99	-	1,644
Adoption of SFRS(I) 16 (Note 2.3)	-	-	-	-	-	221	221
Additions	7	-	271	43	-	-	321
Disposal/Write off	(2)	(5)	(15)	(3)	-	-	(25)
At 31 December	208	70	1,317	246	99	221	2,161
<i>Accumulated depreciation</i>							
At 1 January	130	50	529	206	20	-	935
Depreciation charge (Note 5)	23	7	175	43	20	102	370
Disposal/Write off	(1)	(5)	(16)	(3)	-	-	(25)
At 31 December	152	52	688	246	40	102	1,280
Carrying amount	56	18	629	-	59	119	881

* The right-of-use asset is the leasing of operation space and the leasing of land for leasehold property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

15. Property, plant and equipment (Continued)

Company

2020	Computer \$'000	Motor vehicles \$'000	Total \$'000
<i>Cost</i>			
At 1 January	-	608	608
Additions	6	-	6
Disposal	-	(203)	(203)
At 31 December	6	405	411
<i>Accumulated depreciation</i>			
At 1 January	-	364	364
Depreciation charge	6	82	88
Disposal	-	(203)	(203)
At 31 December	6	243	249
Carrying amount	-	162	162

Company

2019	Computer	Motor vehicles \$'000	Total \$'000
<i>Cost</i>			
At 1 January	-	608	608
Additions	-	-	-
At 31 December	-	608	608
<i>Accumulated depreciation</i>			
At 1 January	-	284	284
Depreciation charge	-	80	80
At 31 December	-	364	364
Carrying amount	-	244	244

Right-of-use of assets acquired under leasing arrangements are presented within property, plant and equipment. Details of such leased assets are disclosed in Note 22(a).

As at 31 December 2020, the Group has right-of-use assets acquired under leases with an aggregate carrying amount of \$914,000 (2019: \$511,000 which included motor vehicles under leases) [Note 22(a)].

Motor vehicles are pledged as security for the related lease liabilities.

In year 2018, the Company entered into a Trust Deed with a director for the purchase of a motor vehicle with carrying amount of \$162,000 (2019: \$244,000). The motor vehicle is registered in the name of the director who is holding in trust for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16. Trade and other payables

	Group		Company	
	2020 \$'000	2019 \$'000 (Restated)	2020 \$'000	2019 \$'000
Trade payables				
– Non-related parties	3,297	2,413*	8	–
Other payables				
– Non-related parties	1	1	–	–
– Subsidiary	–	–	880	880
– Deferred grant income	306	–	–	–
Accruals for operating expenses	2,254	2,608	214	204
	5,858	5,022	1,102	1,084

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

Accruals for operating expenses include costs accrued for projects of \$1,300,000 (2019: \$1,633,000) at the end of the reporting period.

* Contract liabilities of \$1,108,000 as at 31 December 2019 had been reclassified from trade and other payables due to advance mobilisation payment received from customers.

17. Lease liabilities

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Current</i>				
Lease liabilities	277	170	22	51
<i>Non-current</i>				
Lease liabilities	535	39	–	22
	812	209	22	73

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

18. Share capital and treasury shares

a) Share capital

	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Group				
Issued and fully paid ordinary shares At 1 January / 31 December	<u>196,124</u>	<u>4,477</u>	<u>196,124</u>	<u>4,477</u>
Company				
Issued and fully paid ordinary shares At 1 January / 31 December	<u>196,124</u>	<u>40,072</u>	<u>196,124</u>	<u>40,072</u>

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

Reverse acquisition

At Group level

The acquisition of Koyo Engineering (S.E. Asia) Pte. Ltd. ("Koyo Engineering") in 2009 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Koyo Engineering, which is the legal subsidiary the ("Acquired Group") is considered the acquirer for accounting purposes. Accordingly, the statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group have been prepared as a continuation of Koyo Engineering's financial statements, in accordance with the Group accounting policies as described in Note 2.6(b).

b) Treasury shares

	Group and Company			
	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January and 31 December	<u>(6,300)</u>	<u>(630)</u>	<u>(6,300)</u>	<u>(630)</u>

Treasury shares relate to ordinary shares of the Company that is held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

18. Share capital and treasury shares (Continued)

c) Share options – Koyo International Employee Share Option Scheme 2011 (“KSOS”)

On 25 April 2011, shareholders approved the KSOS for the Group’s employees, executive directors and non-executive directors who satisfy the eligibility criteria of the KSOS. The KSOS remains in force at the discretion of the KSOS Committee, subject to a maximum period of ten years with effect from 2011. The KSOS is administered by the Remuneration Committee which comprises its Chairman, Ms Serena Lee Chooi Li, and members, Mr Wong Loke Tan and Mr Yeo Guat Kwang.

Under the KSOS, options to subscribe for the ordinary shares of the Company are granted to directors and employees who have contributed significantly to the success and development of the Group. The exercise price of the options is determined at the discretion of the Remuneration Committee, Market Price or a price which is set at a discount to the Market Price, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price. The market price (“Market Price”) is defined as the average of the closing prices of the Company’s ordinary shares as quoted on the SGX-ST for three market days immediately preceding the date of the grant.

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

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the KSOS, shall not exceed 15% of the issued share capital (excluding treasury shares, if any) of the Company on the date immediately preceding the date of grant of an option.

The KSOS became operative upon the Company granting options to subscribe for 5,165,000 ordinary shares and 400,000 ordinary shares of the Company on 15 December 2011 (“2011 Options”) and 23 January 2013 (“2013 Options”) respectively. Apart from the 2011 Options and 2013 Options, there were no other options granted in prior years. The Company did not grant any options during the current financial year ended 31 December 2020.

There were no outstanding share options as at 31 December 2020 and 31 December 2019.

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

The KSOS will expire on 25 April 2021 after being in place for 10 years and the Group does not intend to set up a new scheme in the near future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

19. Other reserves

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
(a) Composition:				
Fair value reserve	(263)	(259)	-	-
Premium paid on acquisition of non-controlling interests	(2)	(2)	-	-
	<u>(265)</u>	<u>(261)</u>	<u>-</u>	<u>-</u>
(b) Movements:				
(i) Fair value reserve				
At 1 January	(259)	(255)	-	-
Investment securities				
– Fair value losses	(4)	(4)	-	-
At 31 December	<u>(263)</u>	<u>(259)</u>	<u>-</u>	<u>-</u>
(ii) Premium paid on acquisition of non-controlling interests				
At 1 January and 31 December	<u>(2)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>

Other reserves are non-distributable.

i) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of investment securities at fair value through other comprehensive income until they are disposed of or impaired.

ii) Premium paid on acquisition of non-controlling interests

The reserve represents the difference between the fair value of the consideration paid on acquisition of non-controlling interests and the carrying value of the additional interests acquired.

20. Retained profits / (accumulated losses)

- (a) Retained profits of the Group are distributable.
- (b) Movement in accumulated losses for the Company is as follows:

	Company	
	2020 \$'000	2019 \$'000
At 1 January	(10,348)	(10,612)
Net profit	142	454
Dividends paid (Note 21)	(190)	(190)
At 31 December	<u>(10,396)</u>	<u>(10,348)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. Dividends

	Group	
	2020	2019
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
Final dividend of 0.10 cents (2019: 0.10 cents) per ordinary share, paid in respect of the financial year ended 31 December 2019 (2019: 31 December 2018)	190	190

The directors have proposed a final dividend of 0.05 cents per share for FY2020, amounting to approximately \$95,000. These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021 following shareholders' approval at an Annual General Meeting to be held on 27 April 2021.

22. Lease – The Group as a lessee

Nature of the Group's leasing activities

Right-of-use Assets- Other/Land

The Group leases operation space for the purpose of office operations and leases land for leasehold property.

Motor vehicle

The Group has lease contracts for motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

Short term lease

The Group also has certain leases of workers' dormitories space lodgings with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

22. Lease – The Group as a lessee (Continued)

(a) *Carrying amount*

ROU assets classified within Property, plant and equipment

	Leasehold properties \$'000	Motor vehicles \$'000	Total \$'000
2020			
<i>Cost</i>			
At 1 January	221	515	736
Addition	792	–	792
Reclassification to property, plant and equipment	–	(272)	(272)
At 31 December	<u>1,013</u>	<u>243</u>	<u>1,256</u>
<i>Accumulated depreciation</i>			
At 1 January	102	123	225
Depreciation	159	81	240
Reclassification to property, plant and equipment	–	(123)	(123)
At 31 December	<u>261</u>	<u>81</u>	<u>342</u>
Carrying amount	<u>752</u>	<u>162</u>	<u>914</u>
2019			
<i>Cost</i>			
At 1 January	221	378	599
Addition	–	137	137
At 31 December	<u>221</u>	<u>515</u>	<u>736</u>
<i>Accumulated depreciation</i>			
At 1 January	–	–	–
Depreciation	102	123	225
At 31 December	<u>102</u>	<u>123</u>	<u>225</u>
Carrying amount	<u>119</u>	<u>392</u>	<u>511</u>

(b) *Lease liabilities*

The carrying amounts of lease liabilities during the year are disclosed in Note 17 and the maturity analysis of lease liabilities is disclosed in Note 25.

(c) *Amounts recognised in profit or loss*

	2020	2019
	\$'000	\$'000
Depreciation of right-of-use assets	240	225
Interest expense on lease liabilities (Note 5)	17	7
Lease expense not capitalised in lease liabilities		
– Expense relating to short-term leases	467	235
– Expense relating to low-value assets	6	34
Total amount recognised in profit or loss	<u>730</u>	<u>501</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

22. Lease – The Group as a lessee (Continued)

(d) Total cash outflow

The Group had total cash outflows for leases of \$679,000 (2019: \$463,000) in 2020.

23. Contingencies

Company

The Company has issued corporate guarantees amounting to \$5.0 million (2019: \$5.0 million) to banks for banking facilities of its subsidiaries. These banking facilities of the subsidiaries utilised amounted to nil (2019: nil) as at the end of the reporting date. In addition, the Company has also issued corporate guarantees amounting to \$7.7 million (2019: \$7.7 million) to insurance companies on performance bonds relating to the project of a subsidiary.

The Company has evaluated both the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks/financial institutions with regard to the subsidiaries and are of the opinion that they are minimal. The subsidiaries for which the guarantees were provided are in favourable equity positions and are profitable, with no default in the payment of borrowings and credit facilities.

24. Commitments

(a) Capital commitments

Capital expenditures contracted for at the end of the reporting date but not recognised in the financial statements are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Capital commitment in respect of:				
Purchase of property located at				
4 Kwong Min Road Singapore 628707	-	2,540	-	-
	<u>-</u>	<u>2,540</u>	<u>-</u>	<u>-</u>

25. Financial risk management

Financial risk factors

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies seek to ensure that adequate financial resources are available for the Group's business whilst managing its market risk, credit risk, liquidity risk and capital risk. There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk

(i) Currency risk

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

(ii) Price risk

The Group is exposed to equity price risk arising from its investments in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as investment securities. To manage its price risk arising from its investments in equity securities, the Group diversifies its portfolio across different markets and industries, where appropriate.

If prices for equity securities changed by 10% (2019: 10%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income will not be significant.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade and other receivables and contract assets. For trade and other receivables, the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history to mitigate credit risk. Bank deposits are mainly placed with financial institutions which have high credit ratings.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

	Company	
	2020	2019
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' banking facilities	5,000	5,000
Corporate guarantees provided to insurance companies on performance bonds relating to the project of a subsidiary	7,700	7,700
	12,700	12,700

As at end of reporting period, banking facilities utilised by the subsidiary to which the Company has provided a corporate guarantee is nil (2019: nil).

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
31 December 2020						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	3,787	(814)	2,973
Other receivables	12	I	12-month ECL	369	–	369
Contract assets	13	Note 1	Lifetime ECL (simplified)	2,975	(1,064)	1,911
					<u>(1,878)</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

	Note	Category	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
31 December 2019						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	1,949	(808)	1,141
Other receivables	12	I	12-month ECL	197	–	197
Contract assets	13	Note 1	Lifetime ECL (simplified)	2,429	(1,064)	1,365
					<u>(1,872)</u>	

Trade receivables and contract assets (Note 1)

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group determines the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

The Group did not recognise additional impairment on the Group's trade receivables and contract assets as the computed amount is deemed immaterial by the Group.

	Trade receivables						Total \$'000
	Days past due						
	≤30 days \$'000	31-60 days \$'000	61-90 days \$'000	91-120 days \$'000	>120 days \$'000	>365 days \$'000	
31 December 2020							
ECL rate	0.01%	1.02%	2.00%	2.57%	2.57%	100%	
Estimated total gross carrying amount at default	2,259	342	127	–	251	808	3,787
ECL	#1	#1	#1	–	(6)	(808)	<u>(814)</u>
							<u>2,973</u>
	#1 Less than \$3,000						
31 December 2019							
ECL rate	–	–	–	0.2%	0.4%	100%	
Estimated total gross carrying amount at default	713	214	39	119	56	808	1,949
ECL	–	–	–	#	#	(808)	<u>(808)</u>
							<u>1,141</u>
	# Less than \$1,000						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

	Contract assets			Total \$'000
	≤30 days \$'000	>365 days \$'000	Recognition since >5 years \$'000	
31 December 2020				
ECL rate	–	–	100%	
Estimated total gross carrying amount at default	1,599	312	1,064	2,975
ECL	–	–	(1,064)	(1,064)
				<u>1,911</u>
31 December 2019				
ECL rate	–	–	100%	
Estimated total gross carrying amount at default	1,365	–	1,064	2,429
ECL	–	–	(1,064)	(1,064)
				<u>1,365</u>

Credit risk concentration profile

The trade receivables of the Group comprise three debtors (2019: three debtors) that contributed 60% (2019: 63%) of trade receivables. These three debtors (2019: three debtors) individually represented 9% – 26% (2019: 12% – 30%) of the Group's trade receivables.

The credit risk for trade receivables (net of allowance for expected credit losses) and contract assets, based on the information provided to key management is as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>By types of customers</u>				
– Non-related parties	<u>4,884</u>	<u>2,506</u>	<u>–</u>	<u>–</u>

All customers are located in Singapore.

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and bank balances to enable them to meet their normal operating commitments having adequate amount of committed credit facilities. At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash at banks and short-term deposits as disclosed in Note 10.

The table below analyses the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Total \$'000
Group			
At 31 December 2020			
Trade and other payables	5,552	-	5,552
Lease liabilities	323	594	917
At 31 December 2019			
Trade and other payables	5,022	-	5,022
Lease liabilities	173	39	212
Company			
At 31 December 2020			
Trade and other payables	1,102	-	1,102
Lease liabilities	22	-	22
At 31 December 2019			
Trade and other payables	1,084	-	1,084
Lease liabilities	54	22	76

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group comprises issued share capital and retained profits. 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 borrowings or sell assets to increase the working capital. No changes were made in the objectives, policies or procedures during the financial years ended 31 December 2020 and 31 December 2019.

Management monitors capital based on the financial position of the Group and the Company. The Group has positive net assets and has no bank borrowings apart from leases. Future decisions to raise capital and funds will be made with the objective to maintain positive working capital structure.

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Net assets	19,995	19,768	29,046	29,094

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2020 and 2019. The Group's overall strategy remains unchanged from 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Group Level 1 \$'000
<u>Fair value through OCI</u> 2020	<u><u>18</u></u>
<u>Fair value through OCI</u> 2019	<u><u>22</u></u>

The fair value of investment securities traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

The carrying amount less allowance for expected credit losses of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of these balances.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position except for the following:

	Group \$'000	Company \$'000
31 December 2020		
Financial assets at amortised cost	23,151	1,554
Financial liabilities at amortised cost	6,195	1,124
31 December 2019		
Financial assets at amortised cost	26,230	1,552
Financial liabilities at amortised cost	5,154	1,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26. Related party transactions

No transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements.

- (a) Outstanding balances as at 31 December 2020, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months (2019: 12 months) from the end of reporting period are disclosed in Notes 12 and 16 to the financial statements.
- (b) Key management remuneration

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

	Group	
	2020	2019
	\$'000	\$'000
Directors' fees	120	120
Salaries and short-term employee benefits	3,113	2,659
Employer's contribution to Central Provident Fund	233	211
	3,466	2,990

The above includes total remuneration to directors of the Company and its subsidiaries amounting to \$1,622,000(2019: \$1,905,000).

27. Segment information

The Board of Directors has determined the operating segments based on geographic and business segment perspective. The Board of Directors comprise of Executive and Non-Executive Directors.

Geographically, all the Group's operations are located in Singapore.

The Group is organised into three operating divisions – Mechanical Engineering, Electrical Engineering and Facilities Management.

The principal services of each of these divisions are as follows:

- (i) Mechanical Engineering – design and install air-conditioning and mechanical ventilation, plumbing and sanitary installation, fire prevention and protection system as well as integrated systems.
- (ii) Electrical Engineering – design and install high and low tension electrical distribution systems, as well as communications, audio-visual and securities systems.
- (iii) Facilities Management – provide maintenance, repair and replacement services for commercial buildings, hotels, schools and universities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

27. Segment information (Continued)

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

	Mechanical Engineering \$'000	Electrical Engineering \$'000	Facilities Management \$'000	Total \$'000
2020				
Revenue				
Revenue from external parties	<u>6,334</u>	<u>2,026</u>	<u>8,501</u>	<u>16,861</u>
Gross profit	<u>1,876</u>	<u>257</u>	<u>2,671</u>	<u>4,804</u>
Segment assets	<u>1,852</u>	<u>751</u>	<u>3,047</u>	<u>5,650</u>
Segment liabilities	<u>4,549</u>	<u>486</u>	<u>1,078</u>	<u>6,113</u>
2019				
Revenue				
Revenue from external parties	<u>8,632</u>	<u>1,120</u>	<u>10,151</u>	<u>19,903</u>
Gross profit	<u>2,118</u>	<u>227</u>	<u>2,883</u>	<u>5,228</u>
Segment assets	<u>721</u>	<u>311</u>	<u>1,628</u>	<u>2,660</u>
Segment liabilities	<u>5,005</u>	<u>221</u>	<u>1,528</u>	<u>6,754</u>

Revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on gross profit. This measurement basis excludes other income, operating expenses and finance expenses from the operating segments.

(a) A reconciliation of gross profit to profit before income tax is provided as below:

	2020 \$'000	Group 2019 \$'000
Gross profit for reportable segments	4,804	5,228
Other income	2,173	371
Selling and distribution expenses	(71)	(81)
Allowance for expected credit losses	(6)	–
Administrative expenses	(6,308)	(4,992)
Other operating expenses	(117)	(60)
Finance expenses	(17)	(7)
Profit before income tax	<u>458</u>	<u>459</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

27. Segment information (Continued)

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

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

	Group	
	2020	2019
	\$'000	\$'000
Segments' assets for reportable segments	5,650	2,660
Other assets		
Unallocated:		
Cash and bank balances	17,763	23,505
Other receivables and inventories	1,066	592
Investment securities	18	22
Property, plant and equipment	3,940	881
	28,437	27,660

- (c) Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts reported to the Board of Directors with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Segment liabilities comprise mainly trade payables but do not include other payables, current income tax liabilities and lease liabilities.

	Group	
	2020	2019
	\$'000	\$'000
Segments' liabilities for reportable segments	6,113	6,754
Other liabilities		
Unallocated:		
Other payables	1,447	845
Lease liabilities	812	209
Current income tax liabilities	70	84
	8,442	7,892

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

Revenue of approximately \$12,360,000 (2019: \$13,124,000) are derived from four external customers (2019: four). This revenue is attributable to the mechanical engineering segment and facilities management segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28. Significant event during the financial year

The extent of the impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the business operation will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the Singapore market and overall economy, all of which are highly uncertain and cannot be predicted. If Singapore markets or the overall economy are impacted for an extended period, the financial performance of the Group may be materially adversely affected.

29. Comparative information

The financial statements for the financial year ended 31 December 2019 were audited by another auditor whose report dated 2 April 2020 expressed an unmodified opinion on those financial statements.

The Group changed the classification of certain items within current liabilities to better reflect the specific nature of the balances so as to be in compliance with the relevant accounting standards. As a result, a net amount of \$1,108,000 was reclassified from trade and other payables to contract liabilities.

	2019 Balance as previously reported \$'000	Group Prior year reclassification \$'000	2019 Balance as restated \$'000
Consolidated statement of financial position			
Contract liabilities	1,469	1,108	2,577
<u>Trade and other payables</u>			
Trade payables			
– Non-related parties	4,989	(2,577)	2,413
Accruals for operating expenses	1,140	1,469	2,608
	<u>1,140</u>	<u>1,469</u>	<u>2,608</u>

The above reclassification has no financial impact on the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

A third statement of financial position as at the beginning of the preceding period has not been prepared as the reclassification did not result in any changes to the current liabilities for the comparatives.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koyo International Limited on 9 April 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2021

Issued and fully paid-up share capital	– S\$39,442,252
Number of issued shares (excluding treasury shares and subsidiary holdings)	– 189,823,497(with voting rights)
Class of shares	– Ordinary shares
Voting rights	– One (1) vote per ordinary share
Number of treasury shares and percentage	– 6,300,000 (3.32%)
Number of subsidiary holdings and percentage	– Nil

DISTRIBUTION OF SHAREHOLDINGS

<u>SIZE OF SHAREHOLDINGS</u>	<u>NO. OF SHAREHOLDERS</u>	<u>%</u>	<u>NO. OF SHARES</u>	<u>%</u>
1 – 99	19	2.09	904	0.00
100 – 1,000	121	13.30	59,204	0.03
1,001 – 10,000	339	37.25	1,745,475	0.92
10,001 – 1,000,000	413	45.38	26,974,511	14.21
1,000,001 AND ABOVE	18	1.98	161,043,403	84.84
TOTAL	910	100.00	189,823,497	100.00

TWENTY LARGEST SHAREHOLDERS

<u>NO.</u>	<u>NAME</u>	<u>NO. OF SHARES</u>	<u>%</u>
1	FOO CHEK HENG	72,725,500	38.31
2	SALIX CAPITAL PTE LTD	49,449,500	26.05
3	TAI CHIEW SHAM	6,551,800	3.45
4	LOH NGIAP CHEW	4,602,600	2.42
5	TAI HO FAH	4,341,600	2.29
6	ABN AMRO CLEARING BANK N.V.	3,532,500	1.86
7	JOHN HAMILTON CAPITAL LTD	3,400,000	1.79
8	ONG SWEE GUAN	2,165,250	1.14
9	DBS NOMINEES (PRIVATE) LTD	1,884,900	0.99
10	LOH SOO SENG	1,830,000	0.96
11	SANTO PERRY MICHAEL ALEXANDER	1,734,800	0.91
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,609,250	0.85
13	HSBC (SINGAPORE) NOMINEES PTE LTD	1,500,000	0.79
14	CHEW THIAM KWEE	1,400,000	0.74
15	LIM SIN TAT	1,178,600	0.62
16	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,070,053	0.56
17	UOB KAY HIAN PRIVATE LTD	1,066,750	0.56
18	ONG LAY BOON	1,000,300	0.53
19	YEO WEI HUANG	820,000	0.43
20	GORDON CAI ZHEN QIANG	800,000	0.42
TOTAL		162,663,403	85.67

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2021

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 24 March 2021)

Name of Shareholders	Number of Shares			
	Direct Interest	Deemed Interest	Total	%
Foo Chek Heng ⁽¹⁾	72,725,500	400,000	73,125,500	38.52
Salix Capital Pte Ltd ⁽²⁾	49,449,500	–	49,449,500	26.05
Heng Jee Moi	–	49,449,500	49,449,500	26.05
Foo Suay Lun	–	49,449,500	49,449,500	26.05

Notes:

- (1) Mr Foo Chek Heng is deemed interested in 400,000 shares held by his wife, Mdm Dalat Kositanon.
- (2) Salix Capital Pte Ltd is 100% owned by Heng Jee Moi with joint tenant with her grandson Foo Suay Lun, Executive Director, with right of survivorship.

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

Based on information available to the Company as at 24 March 2021 approximately 34.22% of the issued ordinary shares of the Company were held by the public and therefore, the Company is in compliance with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

KOYO INTERNATIONAL LIMITED

(Company Registration No. 200100075E)
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Koyo International Limited ("**Company**") will be convened and held at by way of electronic means on Tuesday, 27 April 2021 at 2.00 p.m. (Singapore time) to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and the Directors' Statement of the Company and the Group for the financial year ended 31 December 2020 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a First and Final tax exempt (one-tier) Dividend of 0.05 Singapore cents per ordinary share as recommended by the Directors for the financial year ended 31 December 2020. (FY2019: 0.10 Singapore cents) **(Resolution 2)**
3. To approve the payment of Directors' fees of S\$120,000 for the financial year ending 31 December 2021, payable quarterly in arrears. (FY2020: S\$120,000) **(Resolution 3)**
4. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 100 of the Constitution of the Company:

Mr. Foo Suay Wei	(Resolution 4)
Mr. Wong Loke Tan	(Resolution 5)

[See Explanatory Note (1) and (2)]
5. To approve Mr. Yeo Guat Kwang's ("**Mr. Yeo**")'s continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**"), and the authority conferred by this Resolution shall continue in force until the earlier of the following (i) the retirement or resignation of Mr. Yeo as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See explanatory note (3)]

(Resolution 6)
6. That subject to and contingent upon passing of Ordinary Resolution 6 above, shareholders (excluding the Directors and the Chief Executive Officer ("**CEO**") of the Company, and their respective associates (as defined in the Catalist Rules) who shall abstain from voting for Resolution 7) to approve Mr. Yeo's continue appointment as an Independent Director in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, and the authority conferred by this Resolution shall continue in force until the earlier of the following (i) the retirement or resignation of Mr. Yeo as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See explanatory note (3)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

7. To approve Ms. Serena Lee Chooi Li's ("**Ms. Serena Lee**")'s continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii) of Catalist Rules, and the authority conferred by this Resolution shall continue in force until the earlier of the following (i) the retirement or resignation of Ms. Serena Lee as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See explanatory note (3)]

(Resolution 8)

8. That subject to and contingent upon passing of Ordinary Resolution 8 above, shareholders (excluding the Directors and the CEO of the Company, and their respective associates (as defined in the Catalist Rules) who shall abstain from voting for Resolution 9) to approve Ms. Serena Lee's continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, and the authority conferred by this Resolution shall continue in force until the earlier of the following (i) the retirement or resignation of Ms. Serena Lee as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[See explanatory note (3)]

(Resolution 9)

9. To re-appoint Messrs UHY Lee Seng Chan & Co as the auditor of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Director to fix their remuneration.

(Resolution 10)

10. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

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

THAT the Directors be and are hereby authorised pursuant to the provisions of Section 161 of the Companies Act and Rule 806 of the Catalist Rules to:

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of the Instruments made or granted by the Directors while this Resolution was in force.

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED ALWAYS THAT:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this resolution in force;
- (2) (subject to the manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a), the percentage of the total issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards, provided that 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
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;

Adjustments in accordance with sub paragraphs 11(2)(a) or 11(2)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and
- (4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (4)]

(Resolution 11)

NOTICE OF ANNUAL GENERAL MEETING

12. Proposed Renewal of Share Buyback Mandate

THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**"), not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), and such purchases and acquisitions of the Shares may be effected by way of:-
- (i) Market purchases ("**Market Purchases**") transacted on the SGX-ST's through the ready market trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) Off-market purchases ("**Off-Market Purchases**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s), as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules;

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

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period (as hereinafter defined) and expiring on the earliest of:
- (i) the date on which the next AGM is held or required by law to be held;
 - (ii) the date on which the Share Buybacks are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting.
- (d) for the purposes of this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five days on which the SGX-ST is open for trading in securities ("**Market Days**") and which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, 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 during the relevant five-day period and the day on which the purchases are made;

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Average Closing Price; and

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

- (e) 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;
- (f) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buyback Mandate in any manner as they think fit, which is permitted under the Companies Act; and
- (g) the Directors of the Company and/or any of them be and are hereby authorised, empowered to complete and do and execute all such things and acts (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this ordinary resolution.

(Resolution 12)

By Order of the Board

Shirley Tan Sey Liy
Company secretary
12 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

1. Mr. Foo Suay Wei ("**Mr. Foo**") will, upon re-election as a director of the Company, remain as the Executive Director of the Company, Mr. Foo is the son of Mr. Foo Chek Heng, the Managing Director/CEO and controlling shareholder of the Company, and is the grandson of Mdm Heng Jee Moi ("**Mdm Heng**") and brother of Mr. Foo Suay Lun, the deemed substantial shareholders of the Company as Mdm Heng owns 100% of Salix Capital Pte. Ltd. with joint tenant with Mr. Foo Suay Lun with right of survivorship. Save as disclosed, Mr. Foo does not have any material relationships between himself and the Directors and the Company.
2. Mr. Wong Loke Tan ("**Mr. Wong**") will, upon re-election as a director of the Company, remain as the Independent Non-Executive Chairman of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee. the Board considers Mr. Wong to be independent for the purpose of Rule 704(7) of the Catalist Rules.
3. Ordinary Resolutions 6, 7, 8 and 9 are to subject the continued appointment of Mr. Yeo and Ms. Serena Lee each of whom had served as an Independent Director for an aggregate period of more than 9 years to a two-tier voting process in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, the Directors and the CEO of the Company, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given.

The Board of the Company and the Nominating Committee have evaluated the participation of Mr. Yeo and Ms. Serena Lee at Board and Board committee meetings and determined that each of them continues to possess independent thinking and the ability to exercise objective judgement on corporate matters independently.

In the event that Mr. Yeo and Ms. Serena Lee do not obtain a majority of shareholders' approval through the two-tiered voting process, they will cease to be considered independent for purposes of Rule 406(3)(d)(iii) of the Catalist Rules and will be re-designated as a non-executive non-independent director of the Company. The Company shall endeavour to search for suitable candidate(s) and fill the vacancies of the independent director(s) within two, but no later than three months from the date of the AGM to fulfil the requirements of the Catalist Rules and Code of Corporate Governance, where applicable.

4. Ordinary Resolution 11 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue ordinary shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments. The aggregate number of shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed, in total, one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares issued other than on a pro rata basis to existing shareholders of the Company, shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

For determining the aggregate number of Shares that may be issued, the percentage of total issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time Resolution 11 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or vesting of share awards outstanding or subsisting at the time when Resolution 11 is passed and any subsequent consolidation or subdivision of Shares.

Notes relating to measures to minimise the risk of COVID-19:

General

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this notice of AGM ("**Notice**") and the Company's annual report for the financial year ended 31 December 2020 ("**Annual Report**") will not be sent to members. Instead, this Notice and Annual Report will be sent to members by electronic means via publication on the Company's corporate website <http://www.koyotech.com> and the following URL: <https://koyointlagm2021.investor.exchange>. This link will be available to shareholders from 12 April 2021 onwards. This Notice and Annual Report will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:
 - (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Note 3 below;
 - (b) submitting questions ahead of the AGM. Please refer to Notes 7 to 9 below for further details; and
 - (c) voting by proxy at the AGM. Please refer to Notes 10 to 11 below for further details.

NOTICE OF ANNUAL GENERAL MEETING

Participation in the AGM via live webcast or live audio feed

3. A shareholder of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a “live” webcast or web audio-only access via mobile phone, tablet or computer (“**Live Webcast**”). In order to do so, the member must pre-register by 2.00 p.m. on 24 April 2021 (“**Registration Deadline**”), at the following URL: <https://koyointlagmegm2021.investor.exchange> (“**Koyo AGM Website**”), to create an account.
4. Following authentication of his/her/its status as a shareholder of the Company, such shareholder will receive an email on their authentication status and will be able to access the Live Webcast using the account created.
5. Shareholders (including SRS/CPF shareholders) who have registered by the Registration Deadline in accordance with paragraph 3 above but do not receive an email response by 2.00 p.m. on 26 April 2021 may contact the Company for assistance at the following email address: mail@koyointernational.com, with the following details included: (1) the member’s full name; and (2) his/her/its identification/registration number.
6. Non-SRS holders whose shares are registered under Depository Agents (“**DAs**”) must **also** contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast of the AGM proceedings.

Submission of questions prior to the AGM

7. Please note that shareholders will not be able to ask questions during the Live Webcast, and therefore it is important for shareholders who wish to ask questions to submit their questions in advance. A shareholder of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company’s businesses and operations no later than 2.00 p.m. on 19 April 2021. The Company will endeavour to address all relevant and substantial questions (as may be determined by the Company in its sole discretion) relating to the resolutions to be tabled and for approval at the AGM prior to or at the AGM. The responses to these questions will be published as soon as possible before the AGM via SGXNet and the Company’s website or if answered during the AGM, will be included in the minutes of the AGM which shall be published on the SGXNet and the Company’s website within one month after the date of AGM.
8. To do so, all questions must be submitted no later than 2.00pm on 19 April 2021 through any one of the following means:
 - (a) via the Koyo AGM Website; or
 - (b) in physical copy by depositing the same at the registered office of the Company at 53 Ubi Avenue 3 #02-01 Singapore 408863; or
 - (c) by email to mail@koyointernational.com.
9. If the questions are deposited in physical copy at the Company’s registered office or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member’s full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

10. Shareholders may only exercise their voting rights at the AGM via proxy voting. The accompanying proxy form for the AGM may be accessed via the Koyo AGM Website, the Company’s corporate website <https://www.koyotech.com/>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
11. Shareholders (including Relevant Intermediary*) who wish to vote on any or all of the resolutions at the AGM must submit a proxy form to appoint the Chairman of the Meeting as their proxy to do so on their behalf.
12. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - a. if submitted by post, be lodged at the registered office of the Company at 53 Ubi Avenue 3 #02-01 Singapore 408863;
 - b. if submitted electronically, be submitted via email to the mail@koyointernational.com; or
 - c. via the following URL: <https://koyointlagmegm2021.investor.exchange> (“**Koyo AGM Website**”) download the Proxy Form and if submitted the duly signed Proxy Form to the Company via email at mail@koyointernational.com;

in either case, **by no later than 24 April 2021, 2.00 p.m., being at least seventy-two (72) hours before the time appointed for holding the Meeting.**

NOTICE OF ANNUAL GENERAL MEETING

In the case of submission of the Proxy Form other than via the Koyo AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

13. In the case of submission of the Proxy Form other than via the Koyo AGM Website, the instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation, failing which the instrument of proxy may be treated as invalid.
14. An investor who holds shares under the SRS/CPF Investor Schemes and wishes to vote, should approach their respective SRS/CPF Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least 7 working days (by 16 April 2021 at 2.00pm) before the AGM.
15. A Depositor's name must appear on the Depository Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.
16. An electronic copy of each of the Company's annual report for the financial year ended 31 December 2020, Notice of AGM, Proxy Form and Appendix in relation to the Proposed Renewal of the Share Buyback Mandate has also made available on:
 - a. the Company's corporate website at <http://www.koyotech.com>;
 - b. the website set up for the purposes of the AGM at the following URL: <https://koyointlagm2021.investor.exchange>; and
 - c. the SGX website at <https://www.sgx.com/securities/company-announcements>
17. **Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**
 - * A Relevant Intermediary is:
 - (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

APPENDIX DATED 12 APRIL 2021

This Appendix is circulated to shareholders of Koyo International Limited ("**Company**") ("**Shareholders**") together with the Company's annual report for the financial year ended 31 December 2020 ("**Annual Report**"). Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders' approval for the renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on Tuesday, 27 April 2021 at 2.00 p.m. by way of electronic means.

The Notice of Annual General Meeting and a Proxy Form are enclosed within the Annual Report.

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

This Appendix has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**Exchange**") and the Exchange assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms. Lim Hui Ling, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg



KOYO INTERNATIONAL LIMITED

(Incorporated in Singapore)

(Company Registration No. 200100075E)

**APPENDIX IN RELATON TO THE
PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

APPENDIX DATED 12 APRIL 2021

KOYO INTERNATIONAL LIMITED

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

Directors

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

Registered Office

53 Ubi Ave 3
 #02-01
 Singapore 408863

12 April 2021

To: The Shareholders of Koyo International Limited

Dear Sir/Madam

1. INTRODUCTION

- 1.1 Reference is made to the notice of annual general meeting ("**AGM**") dated 12 April 2021 ("**Notice of AGM**") of Koyo International Limited ("**Company**") convening the AGM of the Company to be held on 27 April 2021 at 2.00 p.m. by way of electronic means.
- 1.2 The proposed Resolution 12 in the Notice of AGM to Shareholders relates to the proposed renewal of the share buyback mandate ("**Share Buyback Mandate**"), which was previously approved by shareholders of the Company ("**Shareholders**") at the AGM of the Company held on 26 June 2020, to authorise the directors of the Company ("**Directors**") to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") on the terms of the Share Buyback Mandate. The authority conferred by the Share Buyback Mandate will expire on 27 April 2021, being the date of the forthcoming AGM.
- 1.3 The purpose of this Appendix is to provide Shareholders with relevant information relating to, and explain the rationale for the proposed renewal of the Share Buyback Mandate to be tabled at the AGM.

2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Directors propose to table for Shareholders' consideration and approval, the renewal of the Share Buyback Mandate at the forthcoming AGM to be held on 27 April 2021.

Shareholders' approval is thus being sought at the AGM for the renewal of the Share Buyback Mandate for the Share Buyback by the Company of its issued Shares. If the ordinary resolution relating to the renewal of the Share Buyback Mandate is passed by Shareholders at the forthcoming AGM, the Share Buyback Mandate will take effect from the date of the AGM at which the renewal of the Share Buyback Mandate is approved by the Shareholders and it will remain in force until the earliest of (i) the date on which the next AGM of the Company is held or required by law to be held; (ii) the date on which the Share Buybacks are carried out to the full extent of the Share Buyback Mandate; or (iii) the date the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting ("**Relevant Period**").

Any Share Buyback by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution, the Listing Manual Section B: Rules of Catalyst of the SGX-ST ("**Catalist Rules**"), and such other laws and regulations as may for the time being be applicable.

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2.2 Rationale

The rationale for the Company to undertake the purchase of its issued Shares up to ten per cent (10%) limit described in section 2.3.1 below, at any time, subject to market conditions, during the period that the Share Buyback Mandate is in force ("**Share Buyback**") is as follows:

- (a) It is a principal mission of the Directors to constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Company and its subsidiaries (the "**Group**"). A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced; and
- (b) Share Buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the earnings and/or net tangible asset value per Share. The Directors further believe that Share Buybacks by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

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

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

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

2.3 Authority and Limits on the Share Buyback Mandate

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

2.3.1 Maximum Number of Shares

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

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

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For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at 30 March 2021, being the latest practicable date (the “**Latest Practicable Date**”), comprising 189,823,497 Shares (excluding 6,300,000 treasury shares and subsidiary holdings), and assuming that no further Shares are issued or purchased and kept as treasury shares on or prior to the AGM, not more than 18,982,349 Shares (representing 10% of the issued and paid-up share capital (excluding 6,300,000 treasury shares and subsidiary holdings) of the Company as at the date of the AGM) may be purchased by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

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

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting.

2.3.3 Solvency

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

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

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if –
 - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

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2.3.4 Manner of Purchase of Shares

Share Buybacks may be made by way of:

- (a) on-market purchases (“**Market Purchase**”), transacted on the Singapore Exchange Securities Trading Limited’s (“**SGX-ST**”) trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Catalist Rules and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the Share Buyback shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded, where applicable:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and
 - (ii) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid.

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

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buyback;
- (d) the consequences, if any, of Share Buybacks by the Company that will arise under the Singapore Code on Take-overs and Mergers (as amended or modified from time to time) (“**Take-over Code**”) or other applicable take-over rules;
- (e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the Catalist of the SGX-ST;

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

2.3.5 **Maximum Purchase Price**

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

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

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) days, on which the SGX-ST is open for trading in securities ("**Market Days**") and which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, or as the case may be, the Day of the Making of the Offer (as defined hereinafter) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five Market Days period and the day on which the purchases are made;

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

2.4 **Status of Purchased Shares under the Share Buyback Mandate**

Under Section 76B of the Companies Act, any Share which is purchased by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act (as set out below), be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on such cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or otherwise acquired by the Company and which are held as treasury shares. All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act), will be automatically de-listed by the SGX-ST, and the certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

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

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2.5 Treasury Shares

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

2.5.1 Maximum Holdings

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

As at the Latest Practicable Date, the Company holds 6,300,000 treasury shares representing approximately 3.32 per cent (3.32%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings). Where Shares purchased pursuant to the renewed Share Buyback Mandate are held as treasury shares, the number of such Shares to be held as treasury shares, when aggregated with the then existing Treasury Shares held, shall not, subject to the Companies Act, exceed the ten per cent (10%) limit of the total number of issued Shares of the Company as at the date of the general meeting at which the proposed renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of Shares as altered (“**Treasury Shares Limit**”). Treasury Shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit.

For illustrative purposes, the Company may only retain a further 12,682,349 Shares as treasury shares as it is only allowed to hold a maximum of 18,982,349 treasury shares (being 10% of the total number of issued Shares of 189,823,497 Shares excluding treasury shares and subsidiary holdings).

2.5.2 Voting and Other Rights

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

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

2.5.3 Disposal and Cancellation

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

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

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- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of, another company or assets of another person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance of Singapore.

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

2.6 Source of Funds

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

2.7 Reporting Requirements under the Companies Act

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

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

2.8 Tax Implications

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

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2.9 Catalyst Rules

Under the Catalyst Rules, a listed company may purchase shares by way of Market Purchases at a price per Share which is not more than five per cent (5%) above the Average Closing Price. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in section 2.3.5(a) above, conforms to this restriction. Additionally, the Catalyst Rules also specifies that a listed company shall announce all purchases or acquisitions of its shares via the SGXNET not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

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

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

Further, in line with the Company’s best practices guide on securities dealings under the Catalyst Rules, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing one (1) month immediately preceding the announcement of the Company’s annual (full year) or interim (half-year) results.

2.10 Listing Status

Catalist Rules requires a listed company to ensure that at least ten per cent (10%) of its Shares (excluding treasury shares and subsidiary holdings) are in the hands of the public. The term “public”, as defined under the Catalyst Rules, are persons other than (i) the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries; and (ii) the Associates (as defined in the Catalyst Rules) of persons in (i). As at the Latest Practicable Date, there are 64,958,497 Shares in the hands of the public, representing 34.22% of the issued Shares of the Company (based on 189,823,497 issued Shares, excluding 6,300,000 treasury shares and subsidiary holdings, as at the Latest Practicable Date).

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For illustration purpose only, assuming that the Company purchases up to the maximum number of 10% of the issued Shares (excluding treasury shares and subsidiary holdings), being 18,982,349 Shares as at the Latest Practicable Date from members of the public, the resultant number of Shares held by the public after the purchase of such Shares would be 45,976,148 Shares, representing approximately 26.91% of the remaining issued Shares (excluding treasury shares and subsidiary holdings). Accordingly, the Company is of the view that there are sufficient numbers of the Shares in issue held by public. Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full ten per cent (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

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

- (a) adversely affect the listing status of the Shares on the SGX-ST;
- (b) cause market illiquidity; or
- (c) adversely affect the orderly trading of Shares.

2.11 Implications under the Take-over Code

The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.11.1 Obligation to make a take-over offer

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

- (a) any person acquires, whether by a series of transaction over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights or a company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

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

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

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2.11.2 Persons acting in concert

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

- (a) the following companies: –
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v). For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company; and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of: –
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities: –
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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

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

Appendix 2 of the Take-over Code contains the share buy-back guidance note. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, if, as a result of any purchase or acquisition by the Company of its Shares, the proportionate percentage of voting rights held by a Shareholder and persons acting in concert with him increase, such increase will be treated as an acquisition for the purposes of the Take-over Code. If as a result of such increase, a Shareholder or group of Shareholders acting in concert with a Director obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert with a Director could become obliged to make a take-over offer for the Company under Rule 14.

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

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Under the Take-over Code, it is deemed that Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Heng Jee Moi and Foo Suay Lun, who are Foo Chek Heng's mother and son respectively) are acting in concert ("**Concert Party Group**"). As at the Latest Practicable Date, the Concert Party Group holds an aggregate of 122,575,000 shares representing 64.57% of the Shares (excluding treasury shares and subsidiary holdings). Based on the shareholding of the Concert Party Group, in the event the Company undertakes Share buyback under the renewed Share Buyback Mandate up to the maximum limit of ten percent (10%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) as permitted by the renewed Share Buyback Mandate, the shareholdings and voting rights of the Concert Party Group will increase from 64.57% to 71.75%.

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

The Company did not purchase any Shares pursuant to the previous renewal of the Share Buyback Mandate approved by Shareholders at the AGM held on 26 June 2020 up to the Latest Practicable Date.

2.13 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/her Shares to the Company.

3. LIMITS ON SHAREHOLDINGS

The Company does not have any limits on the shareholding of any Shareholder.

4. FINANCIAL EFFECTS OF SHARE BUYBACK MANDATE

4.1 General

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analyses set out below are based on the audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2020 and are not necessarily representative of future financial performance. Although the Share Buyback Mandate would authorise the Company to buy back up to ten per cent (10%) of the Company's issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily buyback or be able to buyback ten per cent (10%) of the issued Shares (excluding treasury shares and subsidiary holdings) in full.

4.2 The Share Buyback Mandate

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

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

The Share Buybacks will only be made after considering relevant factors such as the availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buyback Mandate will be exercised with a view to enhance Shareholders' value as set out in section 2.2. The financial effects of the Company and the Group, presented below, based on audited consolidated financial results of the Company and the Group for the financial year ended 31 December 2020; are based on the assumptions set out below:

- (a) based on 189,823,497 Shares in issue (excluding 6,300,000 treasury shares and subsidiary holdings) as at the Latest Practicable Date and assuming no further Shares are issued and no further Shares are purchased or acquired pursuant to the Share Buyback Mandate, and assuming there were no exercise of any outstanding options under the Koyo International Employee Share Option Scheme 2011 on or prior to the AGM;
- (b) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purposes of computing the financial effects;
- (c) in the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 18,982,349 Shares at the Maximum Purchase Price of S\$0.07 for one Share (being the price equivalent to 105% of the Average Closing Price for the Shares for the five consecutive Market Days on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date which is 30 March 2021, the maximum amount of funds required for the purchase or acquisition of 18,982,349 Shares is S\$1.33 million and is assumed to be financed by internal resources; and
- (d) in the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 18,982,349 Shares at the Maximum Purchase Price of S\$0.08 for one Share (being the price equivalent to 20% above the Average Closing Price for the Shares for the five consecutive Market Days on which Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date which is 30 March 2021), the maximum amount of funds required for the purchase or acquisition of 18,982,349 Shares is S\$1.52 million and is assumed to be financed by internal resources.

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

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

The Company does not have enough accumulated profit as at 31 December 2020 to acquire or purchase Shares entirely out of profits and as such, it is not possible to calculate the financial effects of the Share Buyback made entirely out of profits whether by way of Market or Off-Market Purchases.

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

The financial effects of the purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital by way of Market and Off-Market Purchases and cancelled, or held as treasury shares (disregarding the treasury share limit as set out in section 2.5.1 of this Appendix) based on the audited consolidated accounts of the Group and the Company for the financial year ended 31 December 2020 as if the Share Buyback Mandate had been effective on 1 January 2020 are set out below:

Market Purchase

Scenario 1

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital, with 12,682,349 shares held as treasury shares and 6,300,000 shares cancelled.

	Group		Company	
	Before Share Buyback S\$ '000	After Share Buyback S\$ '000	Before Share Buyback S\$ '000	After Share Buyback S\$ '000
Audited as at 31 December 2020				
Shareholders' Funds	20,625	20,184	29,676	29,235
Treasury Shares	(630)	(1,518)	(630)	(1,518)
Total Shareholders' Funds	19,995	18,666	29,046	27,717
Net Assets	19,995	18,666	29,046	27,717
Current Assets	24,479	23,150	1,558	229
Current Liabilities	7,907	7,907	1,124	1,124
Lease Liabilities	812	812	22	22
Profit Attributable to Equity Holders	421	421	142	142
No. of Shares ('000)				
Ordinary Shares (excluding treasury shares and subsidiary holdings)	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	10.53	10.93	15.30	16.22
Basic EPS (cents)	0.22	0.25	0.07	0.08
Current Ratio (times)	3.10	2.93	1.39	0.20
Gearing (times)	0.041	0.044	0.001	0.001

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Notes:

- (1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves.
- (2) Net assets means total assets minus total liabilities.
- (3) Lease liabilities mean the remaining lease payments due to banks and financial institutions.
- (4) Net assets per Share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares and subsidiary holdings.
- (5) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares (excluding treasury shares and subsidiary holdings).
- (6) Current ratio equals to current assets divided by current liabilities.
- (7) Gearing represents the ratio of lease liabilities to shareholders' funds.

Market Purchase

Scenario 2

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and cancelled.

	Group		Company	
	Before Share Buyback S\$ '000	After Share Buyback S\$ '000	Before Share Buyback S\$ '000	After Share Buyback S\$ '000
Audited as at 31 December 2020				
Shareholders' Funds	20,625	19,296	29,676	28,347
Treasury Shares	(630)	(630)	(630)	(630)
Total Shareholders' Funds	19,995	18,666	29,046	27,717
Net Assets	19,995	18,666	29,046	27,717
Current Assets	24,479	23,150	1,558	229
Current Liabilities	7,907	7,907	1,124	1,124
Lease Liabilities	812	812	22	22
Profit Attributable to Equity Holders	421	421	142	142
No. of Shares ('000)				
Ordinary Shares (excluding treasury shares and subsidiary holdings)	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	10.53	10.93	15.30	16.22
Basic EPS (cents)	0.22	0.25	0.07	0.08
Current Ratio (times)	3.10	2.93	1.39	0.20
Gearing (times)	0.041	0.044	0.001	0.001

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Notes:

- (1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves.
- (2) Net assets means total assets minus total liabilities.
- (3) Lease liabilities mean the remaining lease payments due to banks and financial institutions.
- (4) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares and subsidiary holdings.
- (5) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares (excluding treasury shares and subsidiary holdings).
- (6) Current ratio equals to current assets divided by current liabilities.
- (7) Gearing represents the ratio of lease liabilities to shareholders' funds.

For the purpose of these illustrations, it was assumed that the Company withdraws S\$1.33 million from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buy-back Mandate, use other internal resources to finance the purchases.

Off-Market Purchase

Scenario 1

Purchase or acquisition of 18,982,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital, with 12,682,349 shares held as treasury shares and 6,300,000 shares cancelled.

	Group		Company	
	Before Share Buyback S\$ '000	After Share Buyback S\$ '000	Before Share Buyback S\$ '000	After Share Buyback S\$ '000
Audited as at 31 December 2020				
Shareholders' Funds	20,625	20,121	29,676	29,172
Treasury Shares	(630)	(1,645)	(630)	(1,645)
Total Shareholders' Funds	19,995	18,476	29,046	27,527
Net Assets	19,995	18,476	29,046	27,527
Current Assets	24,479	22,960	1,558	39
Current Liabilities	7,907	7,907	1,124	1,124
Lease Liabilities	812	812	22	22
Profit Attributable to Equity Holders	421	421	142	142
No. of Shares ('000)				
Ordinary Shares (excluding treasury shares and subsidiary holdings)	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	10.53	10.81	15.30	16.11
Basic EPS (cents)	0.22	0.25	0.07	0.08
Current Ratio (times)	3.10	2.90	1.39	0.03
Gearing (times)	0.041	0.044	0.001	0.001

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Notes:

- (1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves.
- (2) Net assets means total assets minus total liabilities.
- (3) Lease liabilities mean the remaining lease payments due to banks and financial institutions.
- (4) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares and subsidiary holdings.
- (5) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares (excluding treasury shares and subsidiary holdings).
- (6) Current ratio equals to current assets divided by current liabilities.
- (7) Gearing represents the ratio of lease liabilities to shareholders' funds.

Off-Market Purchase

Scenario 2

Purchase or acquisition of 18,942,349 Shares by the Company pursuant to the Share Buyback Mandate made entirely out of capital and cancelled.

	Group		Company	
	Before Share Buyback S\$ '000	After Share Buyback S\$ '000	Before Share Buyback S\$ '000	After Share Buyback S\$ '000
Audited as at 31 December 2020				
Shareholders' Funds	20,625	19,106	29,676	28,157
Treasury Shares	(630)	(630)	(630)	(630)
Total Shareholders' Funds	19,995	18,476	29,046	27,527
Net Assets	19,995	18,476	29,046	27,527
Current Assets	24,479	22,960	1,558	39
Current Liabilities	7,907	7,907	1,124	1,124
Lease Liabilities	812	812	22	22
Profit Attributable to Equity Holders	421	421	142	142
No. of Shares ('000)				
Ordinary Shares (excluding treasury shares and subsidiary holdings)	189,823	170,841	189,823	170,841
Net Assets per Share (cents)	10.53	10.81	15.30	16.11
Basic EPS (cents)	0.22	0.25	0.07	0.08
Current Ratio (times)	3.10	2.90	1.39	0.03
Gearing (times)	0.041	0.044	0.001	0.001

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Notes:

- (1) Shareholders' funds mean the aggregate of issued share capital, retained earnings and other reserves.
- (2) Net assets means total assets minus total liabilities.
- (3) Lease liabilities mean the remaining lease payments due to banks and financial institutions.
- (4) Net assets per share equals to net assets divided by the number of issued and paid-up shares which have excluded treasury shares and subsidiary holdings.
- (5) Basic EPS equals to net profit divided by the weighted average number of issued and paid-up shares (excluding treasury shares and subsidiary holdings).
- (6) Current ratio equals to current assets divided by current liabilities.
- (7) Gearing represents the ratio of lease liabilities to shareholders' funds.

For the purpose of these illustrations, it was assumed that the Company withdraws S\$1.52 million from its bank deposit accounts to settle purchases of its Shares. The Company may, however, when making Shares purchases pursuant to the Share Buyback Mandate, use other internal resources to finance the purchase.

Shareholders should note that the financial effects set out above are for illustrative purposes only. It should be noted that the above analyses are based on historical audited financial statements for the financial year ended 31 December 2020 and is not necessarily representative of future financial performance.

Although the Share Buyback mandate would authorise the Company to purchase or acquire up to ten per cent (10%) of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of the total issued ordinary share capital of the Company. In addition, the Company may cancel all or part of the Shares repurchased or may hold all or part of the Shares repurchased in treasury (subject to the Treasury Shares Limit).

5. INTERESTS OF DIRECTORS (AND CONCERT PARTIES WHERE RELEVANT) AND/OR SUBSTANTIAL SHAREHOLDERS

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

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Director	Before the Share Buyback			After the Share Buyback	
	No. of Shares			% of total issued shares ⁽¹⁾	% of total issued shares ⁽²⁾
	Direct	Deemed	Total		
Foo Chek Heng ⁽³⁾	72,725,500	400,000	73,125,500	38.52%	42.80%
Foo Chek Heng and concert parties ⁽⁴⁾	72,725,500	49,849,500	122,575,000	64.57%	71.75%
Foo Suay Wei	–	–	–	–	–
Foo Suay Lun ⁽⁵⁾	–	49,449,500	49,449,500	26.05%	28.94%
Wong Loke Tan	–	–	–	–	–
Yeo Guat Kwang	790,000	–	790,000	0.42%	0.46%
Serena Lee Chooi Li ⁽⁶⁾	–	1,500,000	1,500,000	0.79%	0.88%
Substantial Shareholder (excluding Directors)					
Salix Capital Pte Ltd ⁽⁵⁾	49,449,500	–	49,449,500	26.05%	28.94%
Heng Jee Moi ⁽⁵⁾	–	49,449,500	49,449,500	26.05%	28.94%

Notes:

- (1) The percentages in the table are calculated based on the total interests (direct and deemed) against 189,823,497 Shares (excluding 6,300,000 treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) The percentages in the table are calculated based on the total interests (direct and deemed) against 170,841,148 Shares (excluding 18,982,349 treasury shares and subsidiary holdings) assuming the Company purchases the maximum number of 10% of the Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (3) Mr Foo Chek Heng is deemed interested in 400,000 Shares held by his wife, Mdm Dalat Kositanon.
- (4) Under the Take-over Code, it is deemed that Foo Chek Heng and Salix Capital Pte Ltd (which is 100% owned as joint tenants by Heng Jee Moi and Foo Suay Lun, who are Foo Chek Heng's mother and son respectively) are acting in concert. They hold an aggregate of 122,575,000 shares, representing 64.57% of the Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (5) Salix Capital Pte Ltd is 100% owned by Heng Jee Moi with joint tenant with her grandson Foo Suay Lun, Executive Director, with right of survivorship. Accordingly, Heng Jee Moi and Foo Suay Lun are deemed interested in the 49,449,500 Shares held by Salix Capital Pte Ltd.
- (6) Serena Lee Chooi Li is deemed to have an interest in 1,500,000 Shares held through nominees of securities company.

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6. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Buyback Mandate is being sought at the AGM. The resolution relating to the proposed renewal of the Share Buyback Mandate is contained in the Notice of AGM to Shareholders as Ordinary Resolution 12. Shareholders should refer to the Notice of AGM for details of how to participate at the AGM.

7. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 12 as to be set out in the Notice of AGM to Shareholders.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Due to the current Covid-19 restriction orders in Singapore, Shareholders will not be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow shareholders to participate at the AGM. Shareholders should refer to the Notice of AGM for further information, including the steps to be taken by Shareholders to participate at the AGM, which has been uploaded to SGXNET at <https://www.sgx.com/securities/company-announcements> and is also available on the Company's website at <https://www.koyotech.com>.

A depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP at least seventy-two (72) hours before the time fixed for holding the AGM, or any adjournment thereof.

9. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

10. INSPECTION OF DOCUMENTS

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, copies of the Constitution of the Company are available for inspection at the registered office of the Company at 53 Ubi Avenue 3, #02-01 Singapore 408863 during normal business hours from the date of this Appendix up to the date of the AGM.

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

Foo Suay Wei
Executive Director
12 April 2021

KOYO INTERNATIONAL LIMITED

(Company Registration No. 200100075E)
(Incorporated In the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. The Annual General Meeting ("Meeting") is being convened by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Order 2020. **Due to the current COVID-19 restriction order, a member will not be able to physically attend the Meeting. A member (including Relevant Intermediary#) must appoint the Chairman of the Meeting as proxy to vote on his/her/it behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
2. Alternative arrangements relating to the attendance of the Meeting through electronic means, as well as conduct of the Meeting and relevant guidance with full details are set out in the accompanying Company's notice of AGM dated 12 April 2021, which can be accessed via the SGX website at: <https://www.sgx.com/securities/company-announcements>, the Company's corporate website at <http://www.koyotech.com> and the website set up for the purposes of the AGM at the following URL: <https://koyointlagm2021.investor.exchange>.
3. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators (being relevant intermediaries) to submit their votes by 2.00 p.m. on 16 April 2021.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointments as proxies.

I/We*, _____ (Name)

_____ (NRIC No./Passport No./Company Registration No.*)

of _____ (Address)

being a member/members* of **KOYO INTERNATIONAL LIMITED ("Company")**, hereby appoint:

Chairman of the Annual General Meeting ("**Meeting**") as my/our* proxy to attend and vote for me/us* on my/our* behalf at the Meeting of the Company to be convened and held by way of **electronic means on Tuesday, 27 April 2021 at 2.00 p.m.** and at any adjournment thereof. I/We* direct my/our* proxy to vote for, against or to abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy will vote or abstain from voting at his discretion. In terms of proxy voting, the shareholder/shareholders must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting.

No.	Resolutions relating to:	No. of Votes 'For'***	No. of Votes 'Against'***	No. of Votes 'Abstain'***
1	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2020 together with the Auditor's Report thereon			
2	To declare a First and Final tax exempt (one-tier) dividend of 0.05 Singapore cents per ordinary share for the financial year ended 31 December 2020			
3	To approve the payment of Directors' fees of S\$120,000 for the financial year ending 31 December 2021, payable quarterly in arrears (2020: S\$120,000)			
4	To re-elect Mr. Foo Suay Wei as a Director			
5	To re-elect Mr. Wong Loke Tan as a Director			
6	To approve Mr. Yeo Guat Kwang's continued appointment as an Independent Director by all shareholders			
7	To approve Mr. Yeo Guat Kwang's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company, and their respective associates)			
8	To approve Ms. Serena Lee Chooi Li's continued appointment as an Independent Director by all shareholders			
9	To approve Ms. Serena Lee Chooi Li's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company, and their respective associates)			
10	To re-appoint Messrs UHY Lee Seng Chan & Co as auditors of the Company, to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration			
11	To authorise Directors to issue and allot shares			
12	To approve the renewal of Share Buyback Mandate			

* Delete where inapplicable

** If you wish to exercise all your votes 'For', 'Against' or 'Abstain from Voting', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this _____ day of _____ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)
and/or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

Due to the fast-evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. The Company is taking the relevant steps in accordance with the Part 4 of the COVID-19 (Temporary Measures) Act 2020.

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 81SF of the Securities and Futures Act Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. **In light of the current COVID-19 measures in Singapore, members will not be able to attend the Meeting in person. A member of the Company (including a Relevant Intermediary[#]) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
3. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - a. if submitted by post, be lodged at the registered office of the Company at 53 Ubi Avenue 3 #02-01 Singapore 408863; or
 - b. if submitted electronically, be submitted via email to the mail@koyointernational.com; or
 - c. via the following URL: <https://koyointlagmegm2021.investor.exchange> ("Koyo AGM Website") in the electronic format accessible on the Koyo AGM Website;

in either case, **by no later than 24 April 2021, 2.00 p.m., being at least seventy-two (72) hours before the time appointed for holding the Meeting.**

In the case of submission of the Proxy Form other than via the Koyo AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

4. In the case of submission of the Proxy Form other than via the Koyo AGM Website, the instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation, failing which the instrument of proxy may be treated as invalid.
5. An investor who holds shares under the CPF or Supplementary Retirement Scheme ("CPF/SRS Investor") and wishes to vote, should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 16 April 2021 at 2.00pm to appoint the Chairman of the Meeting as their proxy, at least 7 working days before the date of the AGM.
6. A Depositor's name must appear on the Depository Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.
7. **Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2021.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Loke Tan

Independent Non-Executive Chairman

Foo Chek Heng

Managing Director and Chief Executive Officer

Foo Suay Wei

Executive Director

Foo Suay Lun

Executive Director

Yeo Guat Kwang

Independent Non-Executive Director

Serena Lee Chooi Li

Independent Non-Executive Director

AUDIT COMMITTEE

Wong Loke Tan (Chairman)

Yeo Guat Kwang

Serena Lee Chooi Li

NOMINATING COMMITTEE

Yeo Guat Kwang (Chairman)

Foo Chek Heng

Serena Lee Chooi Li

REMUNERATION COMMITTEE

Serena Lee Chooi Li (Chairman)

Yeo Guat Kwang

Wong Loke Tan

COMPANY SECRETARY

Shirley Tan Sey Liy (ACS, ACG)

REGISTERED OFFICE

53 Ubi Ave 3 #02-01

Singapore 408863

Tel: 6744 9388

Fax: 6744 0788

Email: mail@koyointernational.com

Web: www.koyotech.com

Company Registration No. 200100075E

SHARE REGISTRAR

Boardroom Corporate & Advisory

Services Pte Ltd

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

Tel: 6536 5355

Fax: 6438 8710

SOLICITOR

Legal Solutions LLC

80 Raffles Place

#44-01 UOB Plaza 1

Singapore 048624

INDEPENDENT AUDITOR

UHY Lee Seng Chan & Co

Public Accountants and

Chartered Accountants

6001 Beach Road

#14-01 Golden Mile Tower,

Singapore 199589

Partner-in-charge: Lee Sen Choon

Year of first appointment: Since the

financial year ended 31 December 2020

PRINCIPAL BANKERS

DBS Bank Ltd

OCBC Bank

CONTINUING SPONSOR

PrimePartners Corporate Finance Pte. Ltd.

16 Collyer Quay

#10-00 Income at Raffles

Singapore 049318



53 Ubi Ave 3, # 02-01 Singapore 408863

Tel : 6744 9388 | Fax : 6744 0788

Email : mail@koyointernational.com

Web: www.koyotech.com