



ANNUAL REPORT
2014

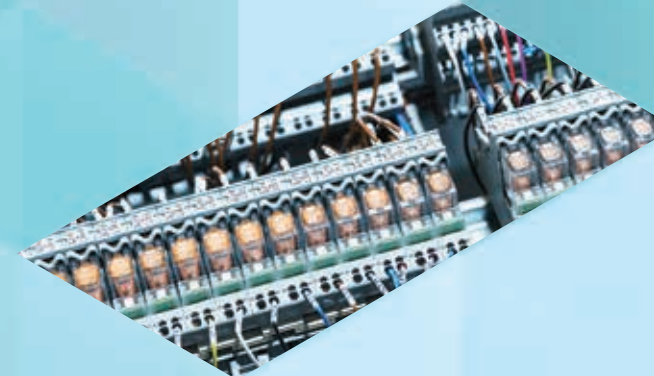
DIVERSIFYING
GROWTH

KOYO INTERNATIONAL LIMITED

ANNUAL REPORT 2014



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

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

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

MISSION STATEMENT



COMMITMENT



INTEGRITY



PROFESSIONALISM

Provide better quality and service

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

CHAIRMAN & CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present our annual report for the financial year ended 31 December 2014 (FY2014).

Koyo International Limited (the "Company" or "Koyo" and together with its subsidiaries, the "Group" or "Koyo Group") has built on its FY2013 success by further improving the positive performance with a net profit of \$1.9 million for FY2014. This is indeed a very good testament to the sound fundamentals of the Group.

FINANCIAL REVIEW

Total revenue for FY2014 was \$20.3 million, which is an increase of 34.2% compared to that of last year. This is mainly due to the completion of significant mechanical engineering projects, maintenance contracts, and supply of construction materials contract. This positive result has allowed us to achieve an earnings of 1.00 cent per share in FY2014 (FY2013: 0.51 cents), which significantly enhanced shareholder value.

The increase in revenue, coupled with our various cost control measures in place, has also resulted in the substantial

increase in our cash position, which now stands at \$15.7 million as at the end of FY2014 (FY2013: S\$11.2 million). The healthy cash balance will not only provide us with ever ready internal funding capability for any future investment opportunities, but also gives us the flexibility in making early payments to those creditors who offer substantial discounts for their supplies of goods to us.

DIVIDEND

In appreciation of our shareholders' long-term support, the Board is recommending a first and final dividend of \$0.002 per share, to be approved by shareholders in the forthcoming annual general meeting of the Company.

SHARE BUYBACK MANDATE AND EMPLOYEE SHARE OPTION SCHEME

The Company did not purchase any of its own shares during the financial year ended 31 December 2014. Also no further share options to employees were granted since the last grant in January 2013. To date, the number of shares eligible under the granted share options is 5,565,000 shares.



OUTLOOK

The Group believes that the outlook for the construction sector in the upcoming year will remain subdued for the most part of the year. This is owing to many local factors, the most significant of which is that tendering opportunities for private building projects would be substantially constrained by the ever rising labour costs, government cooling measures introduced on the property sector, and the ever intense market competition from within the industry. In light of this challenging environment, the Group is positioning itself by actively exploring new business opportunities that could readily complement our existing core competency and at the same time provide us with new avenues for diversification.

With our years of proven track record and reputation in the Singapore construction industry, experienced management team, and new business segments, we believe that the Group will be well-positioned to ascend to a greater height in the coming years ahead.

CORPORATE DEVELOPMENTS

The Group is now looking into the opportunities and possibilities to enter into property development, management and investment. We will not only look at opportunities locally, but also those in other ASEAN countries, including China and Australia.

The Group has completed some shipments of sand to Singapore in FY2014. In FY2015, the Group will seek to increase contribution from the supply of construction materials sector. The Group has already obtained a Building & Construction Authority (BCA) grading of L6 for the SY01C work head for the supply of other basic construction materials. The Group was also granted an importer's license recently from BCA which allows us to carry out business of importing essential construction materials. With the BCA grading and importer's licence, we will be able to tender for more government projects and participate in many more significant local projects. In time, we aim to be one of the leading construction material suppliers in Singapore.

In order to become a leading supplier of construction materials, the Group believes that it has to have an effective supply chain. As such, it intends to offer a full range of services that are integral to the supply of construction materials in Singapore. These include the ownership of concessions for construction materials, shipping/chartering services, logistics planning and ancillary support services such as stevedoring. These will be a long term undertaking and the Group will do so cautiously.

In recent times, there has been greater push exerted by various authorities to increase building efficiency. Such policy has resulted in a significant drive towards the utilisation of energy-saving products both by developers and building owners alike. As such, we are hoping to target this particular market segment by providing developers and building owners with innovative and green solutions for the building sectors. It is of paramount interest to note that the Group has successfully installed what is arguably the largest phase change material capacity in Singapore. This is done by integrating it with the chiller plant system at Cleantech 2 @ Cleantech Park, a prestigious development by Jurong Town Corporation.

By working actively and closely with local consultants and owners alike during 2015, we hope to impress upon them the considerable benefits of these new technologies and develop the receptivity of the Singapore market to these products.

APPRECIATION

We would like to express our heart felt appreciation and thanks to the members of the Board for the continuous guidance and invaluable contributions. We would also like to take this opportunity to congratulate Mr. Foo Suay Wei who has been appointed to the post of Executive Director on 26 December 2014, overseeing operations of the Group and business development, among others. Welcome on board, Suay Wei.

Lastly, we would also like to thank our valued shareholders, customers, suppliers and sub-contractors for their continued support. As always, our sincerest thanks go out to the management and staff of the Company for their services and commitments to the Group. By working together closely, we are confident that the Group will be in the position to achieve better results in time to come.

LEE CHEN CHONG

Non-Executive and Independent Chairman

FOO CHEK HENG

Chief Executive Officer and Executive Director

14 April 2015

BUSINESS OVERVIEW

Koyo International Limited has been listed on the SGX Catalist since 2009. Since our listing, the Group 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 Group can be broadly categorised into four core business segments. These include 1) provision of mechanical and electrical (M&E) engineering services; 2) the supply of renewable energy and green products for building services; 3) property development and construction; and 4) the supply of construction materials and ancillary services related to it.

PROVISION OF MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

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

RENEWABLE ENERGY AND GREEN PRODUCTS

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

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

to provide the most effective clean technology products to suit our customers' needs.

PROPERTY DEVELOPMENT

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

SUPPLY OF CONSTRUCTION MATERIALS

Koyo has recently also started the business which include 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 services. To further expand the business of supply of construction materials, shareholders' approval is sought for the diversification of the Group's business to include the business of supply of construction materials.

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

A. MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

(1) INTEGRATED M&E ENGINEERING

- Air-conditioning and Mechanical Ventilation
- Plumbing and Sanitary Installation
- Fire Prevention and Protection System
- Integrated Monitoring and Control Systems
- HT electrical distribution systems
- LT electrical distribution systems
- Communications and Security Systems
- Facility Management



(2) INDUSTRIAL ENGINEERING

- **Design, Integration and Implementation of:**
 - Waste Treatment Plant
 - Dust Collector (Environmental Control) System
 - Mechanical Handling System (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
 - HVAC Systems

B. RENEWABLE ENERGY AND GREEN PRODUCTS

(1) SOLAR WATER HEATING

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

(2) NON-CHEMICAL WATER TREATMENT SYSTEM

- Electrostatic water treatment

(3) THERMAL ENERGY

- Phase Change materials

(4) DEHUMIDIFICATION AND AIR-CONDITIONING

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

C. PROPERTY DEVELOPMENT AND CONSTRUCTION

- Residential buildings
- Commercial buildings
- Hotels

D. SUPPLY OF CONSTRUCTION MATERIALS AND SERVICES

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

PERFORMANCE REVIEW



REVENUE

Koyo recorded revenue of approximately \$20.3 million for the financial year ended 31 December 2014 ("FY2014") representing an increase of 34.2% as compared to \$15.1 million recorded in financial year ended 31 December 2013 ("FY2013"). The increase in total revenue was mainly attributable to the increase in revenue from facilities management segment and supply of construction materials. Revenue contribution from the facilities management segment increased by approximately S\$3.0 million for FY2014. This is due to the additional A&A works for MOE Schools. The supply of reclamation sea sand, which commenced only in the current financial year reported on, had contributed revenue of S\$1.8 million.

COST OF SALES

In tandem with the increase in revenue, cost of sales increased by 45.2% to approximately \$14.9 million in FY2014. Gross profit increased by 10.8% to approximately \$5.4 million in FY2014 as compared to \$4.8 million in FY2013.

GROSS PROFIT MARGIN

Koyo's gross profit margin decreased from 32.0% in FY2013

to 26.4% in FY2014. The decrease was mainly due to a lower gross profit margin from supply of construction materials of approximately 6.6%.

PROFIT BEFORE TAX

The Group recorded a pre-tax profit of \$2.1 million in FY2014. This was an increase of \$1.0 million as compared to FY2013 and was largely due to higher revenue recorded.

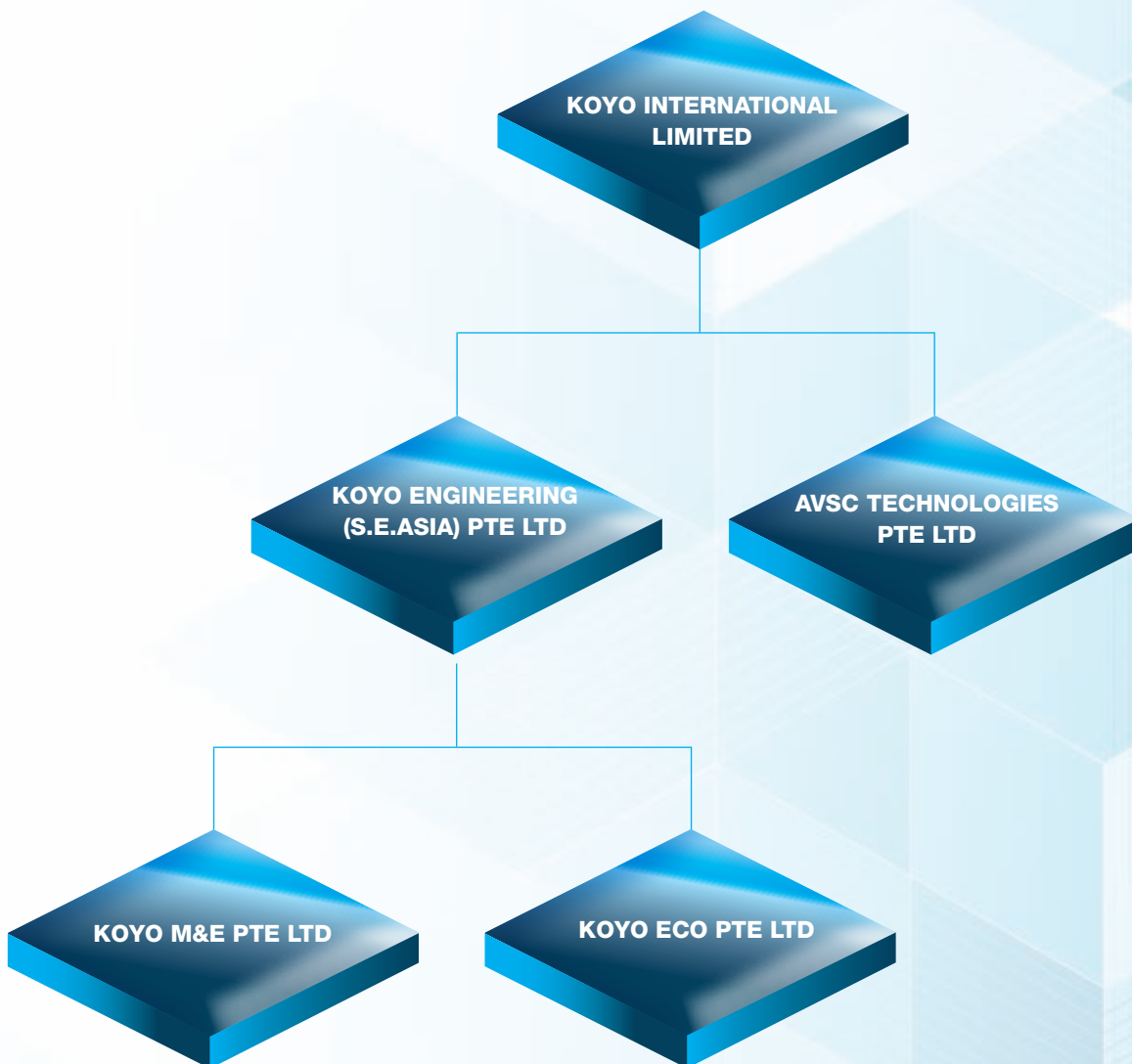
BALANCE SHEET

Cash and cash equivalents increased approximately by \$4.5 million or 39.8%, from \$11.2 million as at 31 December 2013 to \$15.7 million as at 31 December 2014.

Trade and other receivables decreased by \$3.9 million from \$10.8 million as at 31 December 2013 to \$6.9 million as at 31 December 2014 as a result of a decrease in amounts due from customers and trade receivables. Trade receivables turnover improved from 96 days in FY2013 to 46 days at the end of FY2014.

Trade and other payables decreased by \$1.3 million or 19.4%, to \$5.2 million as at 31 December 2014.

CORPORATE STRUCTURE



CORPORATE PROFILE

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

KOYO ENGINEERING

Koyo Engineering (S.E.Asia) Pte. Ltd. ("Koyo Engineering") is one of the leading home grown mechanical and electrical ("M&E") engineering specialist service providers and provides quality service to a wide range of diverse customers. Koyo Engineering has 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 the Building and Construction Authority ("BCA") gradings of L5 for electrical engineering and L6 for (i) air-conditioning, refrigeration & ventilation works and (ii) integrated building services, Koyo Engineering is able to undertake mechanical and electrical services work of unlimited value for public projects. This is because the L6 grading is the highest category issued by the BCA.

With over 31 years of experience in providing M&E engineering services, Koyo Engineering has been able to establish a reputation and a good track record for itself.

Koyo Engineering was also awarded the prestigious SME 500 award in 2009. Today, Koyo Engineering has successfully completed more than 160 projects, which includes consulting, design, procurement and fabrication and construction projects.

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

AVSC TECHNOLOGIES

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

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

KOYO ECO

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





Koyo Group has integrated and installed what is arguably Singapore 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 Jurong Town Corporation.

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



BOARD MEMBERS

LEE CHEN CHONG

Non-Executive Chairman

Lee Chen Chong is a Non-Executive Chairman on the Board. He was appointed to the Board on 21 January 2009 and was last re-appointed on 21 April 2014. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee.

He is a Fellow of the Chartered Institute of Bankers (FCIB), London and spent a total of 34 years in commercial and international banking with local as well as banks overseas. He commenced his banking career with Malayan Banking Berhad (Maybank) in 1962 and was later the General Manager of the bank's London branch from 1972 to 1985. From 1985 to 1993, he was the Executive Director of Malaysian French Bank Berhad (now known as Alliance Bank Berhad), in charge of the bank's daily banking operations. He was subsequently appointed the Managing Director of the bank until he relinquished the post at the end of 1993.

Chen Chong moved to Eastern Europe in early 1994 as the President of the International Commercial Bank (ICB) and managed the banking operations of the banks in Prague (Czech Republic) and Budapest (Hungary). From 1995 to 1997, he was a director of Lombard Bank of Malta Limited, Malta Island. He also served as a Non-Executive Director of Firstlink Investments Corporation Limited, a Singapore main board listed company for a brief period of approximately one and a half years. He had been associated with Multi-Purpose Holdings Berhad from 1989 until his retirement as Executive Director at the end of 2000. He was also the Executive Director of Ipunda Berhad from 2001 to 2008.

Currently Chen Chong is a Non-Executive Director of IGB REIT BERHAD listed on the Main Market of Bursa Malaysia Securities Berhad.

Past Directorship over the Preceding Three Years

Kriss Asset Holdings Berhad

YEO GUAT KWANG

Independent Director

Yeo Guat Kwang was appointed to the Board on 15 July 2009 and was last re-elected on 27 April 2012. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Guat Kwang has been a Member of Parliament since January 1997. He is also the Director of Workplace Safety and Health of NTUC. Guat Kwang also serves as a member of the Board of Directors of the Agri-Food & Veterinary Authority of Singapore and SIIIC Environment Holdings Ltd.

Past Directorship over the Preceding Three Years

Neo Group Ltd

China Gaoxian Fibre Fabric Holdings Ltd

FOO CHEK HENG

Executive Director

Foo Chek Heng was appointed Managing Director on 21 January 2009 and was last re-elected on 21 April 2014.

Chek Heng has more than 36 years of experience in the M&E services industry. He is the founder of Koyo and is responsible for the strategic direction, planning, development and investment of the long term growth of the business, as well as its overall general management and operations.

Chek Heng has been the director of Koyo Engineering since June 1993 and a director of Koyo M&E since its incorporation in September 2006.

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

FOO SUAY WEI

Executive Director

Foo Suay Wei was appointed Executive Director of Koyo in December 2014. He joined Koyo in August 2013 as Strategy and Business Development Manager and was promoted to Senior manager in March 2014 before being promoted to his current position. He is also the Management Representative for the OHSAS 18001 for occupational health and safety management systems. He was previously an Assistant Director at the Monetary Authority of Singapore from 2009 to 2012.

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

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

SERENA LEE CHOOI LI

Independent Director

Serena Lee was appointed to the Board on 13 June 2007 and was last re-elected on 26 April 2013. She is the Chairman of the Remuneration Committee and also a member of the Audit and Nominating Committees.

Serena is a solicitor of England and Wales and is also an advocate and solicitor of the Supreme Court of Singapore. She was trained in London and has been practising in Singapore for more than fifteen years in corporate/commercial, property and banking areas. She is currently a partner of CTLC Law Corporation and is also a corporate secretary for some 80 companies.

Serena holds a Bachelor of Law (2nd Upper Honours) degree from the University of Sheffield and was also trained at the Chester Law School.

KEY MANAGEMENT TEAM

DALAT KOSITANON

Corporate Services Division Manager

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

GOH TECK SOON

Senior M&E Manager

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

GOH CHIN HIEW

Commercial Division Manager

Goh Chin Hiew is currently the manager of the Commercial Division of Koyo and has been with Koyo since February 1999. As the manager of the Commercial Division, her job scope and responsibilities cover the tender, procurement, maintenance and quantity surveying departments. Her current duties include tendering, procurement, liaising and coordinating projects for Koyo. She is also the management representative for the ISO 9002 Quality Management System.

Chin Hiew has more than 10 years experience in the engineering and construction industry. She holds a Diploma in Electrical Engineering from the Ngee Ann Polytechnic of Singapore.

GOH HWEE HIONG

Chief Financial Officer

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

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Chen Chong
Independent & Non-executive Chairman

Foo Chek Heng
Executive Director

Foo Suay Wei
Executive Director

Yeo Guat Kwang
Independent & Non-executive Director

Serena Lee Chooi Li
Independent & Non-executive Director

AUDIT COMMITTEE

Lee Chen Chong (Chairman)

Yeo Guat Kwang

Serena Lee Chooi Li

COMPANY SECRETARY

Chin Hooi Yen
Polaris Corporate Services Pte Ltd
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Fax: 6436 1360

SOLICITOR

Ramdas & Wong
36 Robinson Road
#10-01 City House
Singapore 068877

INDEPENDENT AUDITOR

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

Director-in-charge: Loh Hui Nee
Year of appointment: 2012

CONTINUING SPONSOR

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Singapore 049318

PRINCIPAL BANKERS

DBS Bank Ltd
United Overseas Bank Limited