

Issuer: Koyo International Limited
Security: Koyo International Limited

Meeting details:

Date: 27 April 2018

Time: 10.30 a.m.

Venue: 16 Arumugam Road, #05-01 LTC Bldg D Singapore 409961

Company Description

Koyo International Limited, an investment holding company, provides integrated mechanical and electrical engineering services in Singapore. It operates in three divisions: Mechanical Engineering, Electrical Engineering, and Facilities Management. The Mechanical Engineering division designs and installs air-conditioning and mechanical ventilation, plumbing and sanitary installation, and fire prevention and protection systems, as well as integrated systems. The Electrical Engineering division designs and installs high and low tension electrical distribution systems, as well as communications, audio-visual, and securities systems. The Facilities Management division offers maintenance, repair, and replacement services for commercial buildings, hotels, schools, and universities. The company supplies construction materials, including reclamation sand, construction sand, armour rock, granite, and other aggregates. It also offers mechanical and electrical services for industrial, commercial, and residential buildings, which include retrofitting works, alteration and addition works, new installation works, and replacement works; designs, integrates, and implements industrial engineering services; oil, gas, and marine engineering services; supplies heavy electrical equipment, including switchgears and transformers; and facilities management. In addition, it focuses on integrating environmental engineering and clean technologies for industries by offering a suite of clean technologies, such as 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. Further, the company engages in the property development and construction, management, and investment activities. It serves construction, marine, oil and gas, industrial, and pharmaceutical industries, as well as the public sector. Koyo International Limited was founded in 1983 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50C)

Q1. In Note 26 (pages 77 to 79 of the annual report – Segment information), the group states that it is organised into three operating divisions – Mechanical Engineering, Electrical Engineering and Facilities Management. However, in the business review, the group states that the principal activities of the Koyo and its subsidiaries can be broadly categorized into four core business segments – being (a) provision of mechanical and electrical (M&E) engineering services; (b) the supply of renewable energy and green products for building services; (c) property development and construction; and (d) the supply of construction materials and ancillary services related to it.

- a) **Would management help shareholder reconcile its 3 operating divisions with the 4 core business segments?**
- b) Under the corporate profile (page 9), AVSC Technologies Pte. Ltd. is listed as the group’s wholly owned subsidiary aiming to be one of the leading construction material suppliers in Singapore. **Would management clarify if AVSC is still active?** Since FY2014, the supply of construction material was stopped and has not resumed. **Can management provide shareholders with an update on this business segment?**
- c) **Similarly, can management provide better clarity on the status and/or scale of the group’s operations in renewable energy and green products, and property development?**

Q2. The group had a breakthrough year in 2014 when the total revenue amounted to \$20.3 million. Other than that, from FY2013 to FY2017, the group’s revenue has hovered between \$14.6 million and \$15.8 million.

In the latest financial year, Facilities Management performed well with revenue growing by 19% and gross profit increasing by 63%.

- a) **Can management help shareholders understand the key drivers in the Facilities Management segments?**
- b) **What are the key attributes that help the group to secure contracts?**
- c) **How much does the group leverage of the use of technology, including automation, to reduce the reliance on manpower?**
- d) **What are the key opportunities in the near term for the segment to scale up?**

As for the electrical engineering segment, can management also tell shareholders in greater detail how it intends to scale up the business in a profitable and sustainable manner to make it a more significant contributor to the group’s revenue and profits?

Q3. In the Chairman & CEO’s message, shareholders’ long-term support to the company was acknowledged, and on the back of the positive FY2017 results, the board is recommending a first and final dividend of \$0.001 per share.

An extract from the 5-year financial summary (page 7 in the annual report) is reproduced below:

Ratios

Profit attributable to equity holders of the Company as a percentage of:

Total revenue	4.36%	4.86%	7.40%	9.40%	6.40%
Average shareholders’ equity (Note 1)	3.77%	4.08%	6.13%	11.56%	6.37%

Per share:

Earnings attributable to the equity holders of the Company (Note 2)	0.36 ¢	0.40 ¢	0.57 ¢	1.00 ¢	0.51 ¢
Net asset value of the Group (Note 3)	9.81 ¢	9.51 ¢	9.41 ¢	9.07 ¢	8.23 ¢

Dividends paid and/or proposed (Note 4)

Final dividend	0.10 ¢	0.10 ¢	0.15 ¢	0.20 ¢	0.15 ¢
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(Source: Company annual report)

The company does not have a fixed dividend policy and 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.

- a) **Can the board help shareholders understand the deliberations it has had on the proposed first and final dividend of S\$0.001 per ordinary share for FY2017?**

Based on the number of shares issued, the dividend will amount to approximately \$190,000. As at 31 December 2017, the group is a healthy financial position with cash and cash equivalents of \$17.6 million, total assets of \$24.7 million against total liabilities of \$6.1 million.

- b) **Would the board consider a re-evaluation of the group's capital needs and optimal structure to review how the company may be able to sustain a higher dividend pay-out ratio?**