



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Koyo International Limited

Security: Koyo International Limited

Meeting details:

Date: 29 April 2019

Time: 9.00 a.m.

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

Company Description

Koyo International Limited (Koyo) is an investment holding company. The Company is engaged in the business of providing integrated mechanical and electrical engineering (M&E) services. The Company operates through four segments: Mechanical Engineering, which designs and installs air-conditioning and mechanical ventilation, plumbing and sanitary installation, fire prevention and protection system, as well as integrated systems; Electrical Engineering, which designs and installs high and low tension electrical distribution systems, as well as communications, audio-visual and securities systems; Facilities Management, which provides maintenance, repair and replacement services, and Supply of Construction Materials, which is engaged in the supply of construction materials, including reclamation sand, construction sand, armor rock, granite and other aggregates. It offers a suite of clean technologies, such as solar heat collector arrays and hot water storage tanks.

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

Q1. As noted in the chairman & CEO's message, the group secured a contract for the supply and installation of mechanical services for Kim Chuan Depot Extension for Circle Line 6 for the contract sum of \$76.8 million from the Land Transport Authority of Singapore. With this contract, the group has an order book of approximately \$102.1 million. These are multi-year contracts that cover up to the year 2026.

- (i) Can the company help shareholders understand if this is the largest contract ever won by the group?**
- (ii) What is the experience and capacity of the management team to handle a job this size? Would the group be looking to add more talent to its team to support the project, especially in the areas of technical/project management?**
- (iii) Would the group be able to fund the working capital required for this project?** As at 31 December 2018, cash and cash equivalents amounted to \$19.7 million.
- (iv) Facilities management (FM): What are the plans to grow the FM segment? With the new Kim Chuan project, is there sufficient management attention being devoted to the FM segment to grow it?** FM contributed more in gross profit than the M&E segment in FY2018.

Q2. On pages 13 to 23 of the annual report, the company shared its second Sustainability Report. The report focused on the group's M&E engineering services as the company stated that other activities were not significant in FY2018.

The facilities management (FM) segment is about two-thirds the size of the M&E segment based on revenue in FY2018.

- (i) Would the company be expanding the sustainability reporting to include the FM segment in the next sustainability report?**

Following the materiality assessment, management identified 4 material factors:

- Environmental
- Economic performance
- Governance
- Diversity & fair employment practice

Under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

(ii) Targets: Would the board be providing guidance on the identification of suitable performance indicators and setting appropriate targets for the group?

Below is an example of the target setting and the performance update on a material factor (People) carried out by SGX in its Sustainability Report:

Targets and Performance Scoreboard:	
People Targets for FY2018	
Target	Performance Update
Implement programmes for upgrading employee skills & transition assistance programmes	<ul style="list-style-type: none"> We introduced a digital learning platform to encourage employees to adopt continuous learning practices. We implemented innovation-benchmarking workshops for employees to create awareness of disruptive socio-economic trends. We ran leadership development programmes for senior managers to build on our leadership capabilities.
Achieve 35 training hours per employee per year	<ul style="list-style-type: none"> Employees engaged in an average of 44 hours of training during the year.
People Targets for FY2019	
Target	
Implement programmes for upgrading employee skills & transition assistance programmes	
Achieve 35 training hours per employee per year	

(Source: SGX annual report)

Q3. The nominating committee (NC) comprises Mr Yeo Guat Kwang (as chairman), Mr Foo Chek Heng (Managing Director/CEO) and Ms Serena Lee Chooi Li. The NC has terms of reference including reviewing each of the director’s independence annually.

In line with Guideline 2.4 of the 2012 Code of Corporate Governance, the NC conducted a rigorous review on the independence of the independent directors who have served on the board for more than 9 years, namely Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang.

(i) As the long tenured directors are members of the NC, how effective was the NC at reviewing the independence of the long tenured directors?

In addition, the company has stated that Ms Serena Lee Chooi Li and Mr Yeo Guat Kwang had abstained from the NC’s (and Board’s) review of their independence.

(ii) Would the NC clarify on its review of the independence of Ms Lee and Mr Yeo?

At the NC level, did Mr Foo Chek Heng and Ms Serena Lee Chooi Li review the independence of Mr Yeo Guat Kwang, and Mr Foo Chek Heng and Mr Yeo Guat Kwang reviewing the independence of Ms Serena Lee Chooi Li?

Also noting that Mr Foo Chek Heng is a non-independent director, how effective was this arrangement?

- (iii) Can the company disclose its near-term plans to rejuvenate the board?**
Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders. This will be effective in 2022.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Koyo%20International%20Ltd&cid=6674,4566>

The company's response could be found here: -----