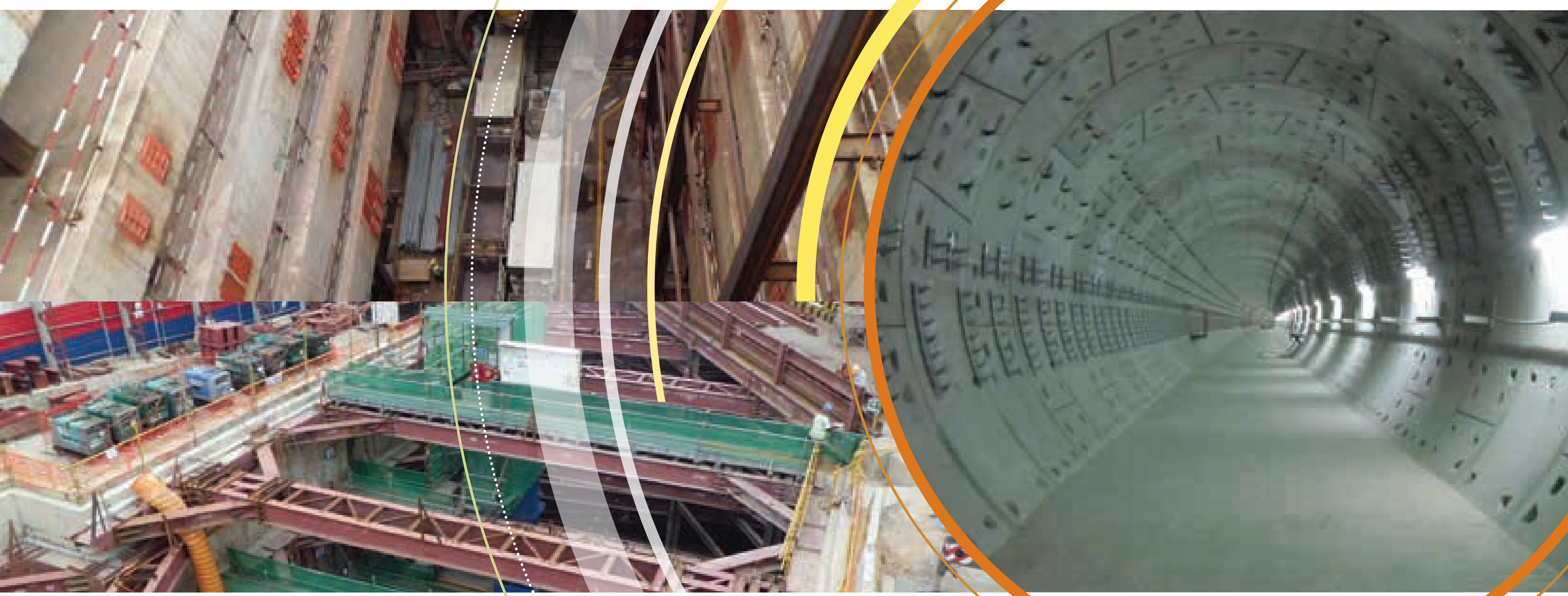
Kori Holdings Limited

FOCUSED ON LONG TERM VALUE



ANNUAL REPORT 2013

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance at 20 Cecil Street, #21-01 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.

CORPORATE **PROFILE**

Kori Holdings Limited, through its wholly-owned subsidiaries, Kori Construction (S) Pte. Ltd., Ming Shin Construction (S) Pte. Ltd. and Kori Construction (M) Sdn. Bhd., (collectively, the "Group") is principally engaged in providing civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. Its customers include local and overseas developers in the engineering construction industry. The Group's businesses can be categorised into two main segments, namely, structural steelworks services and tunnelling services.

CHAIRMAN'S STATEMENT

"Despite a challenging environment in the construction sector, I am pleased to report that the Group has achieved a commendable performance for the financial year ended 31 December 2013 ("FY2013"). We take a long term view of the industry's outlook in planning for future growth, taking into account challenging circumstances such as rising costs and manpower constraints. We have already embarked on several key strategies to mitigate these challenges, such as setting up a storage yard in Malaysia to address the rising cost of storage facilities in Singapore, while offering a centralised storage facility for our operations in Singapore and Malaysia."

DEAR SHAREHOLDERS

Despite a challenging environment in the construction sector, I am pleased to report that the Group has achieved a commendable performance for the financial year ended 31 December 2013 ("FY2013"). We take a long term view of the industry's outlook in planning for future growth, taking into account challenging circumstances such as rising costs and manpower constraints. We have already embarked on several key strategies to mitigate these challenges, such as setting up a storage yard in Malaysia to address the rising cost of storage facilities in Singapore, while offering a centralised storage facility for our operations in Singapore and Malaysia.

We achieved total revenue of S$67.8 million in FY2013, an increase of approximately S$14.9 million or 28.0% from S$52.9 million in the financial year ended 31 December 2012 ("FY2012"). Revenue derived from the structural steelworks services segment accounted for approximately 90.8% of our Group's total revenue.

The increase in revenue from our structural steelworks services segment by approximately 25.5% from S$49.0 million in FY2012 to S$61.6 million in FY2013 was mainly attributable to the increase in project works completed for certain projects which included Tampines West Station Project, Bedok Reservoir Station Project and Bedok Town Park Station Project as they progressed to a more active phase in FY2013. However, they were partially offset by the decrease in work completed for Botanic Garden & Stevens Station Project and Newton Station Project.

Revenue from the tunnelling services segment increased from S$3.9 million in FY2012 to S$6.2 million in FY2013 mainly due to the increase in work completed for the Bedok Town Park Station Project, NEWater Infrastructure Plan Extension Project, and the newly commenced Rochor Station & Little India Station Project. The increase in revenue was partially offset by a decrease in revenue contributed from Little India to Newton Station Project which was close to its completion stage.

Our Group's gross profit increased by approximately S$0.8 million or 7.5% from S$10.8 million in FY2012 to S$11.6 million in FY2013. Our gross profit margin decreased from 20.4% in FY2012 to 17.1% in FY2013. The lower gross profit margin was attributable to both the structural steelworks and tunnelling services segments as costs incurred were higher than expected for some projects during FY2013.

GROWTH STRATEGIES

The Group entered into a loan agreement (the "Loan Agreement") with Fuchiang Construction Pte Ltd ("Fuchiang") to provide a secured loan (the "Loan") in an amount of S$1,000,000 subject to the terms and conditions of the Loan Agreement. Fuchiang is principally engaged in the business of piling works and structural steelworks construction in Singapore and has been a sub-contractor of the Company since April 2013. The Company is also considering the acquisition of 51% of the ordinary shares in the issued and paid-up share capital of Fuchiang (the "Proposed Acquisition"). The Proposed Acquisition will allow the Company to enlarge its portfolio to include private sector projects, thus diversifying our sources of revenue in the long term.

LOOKING AHEAD

The outlook for the Singapore construction industry for the next 12 months remains positive. The Building and Construction Authority ("BCA") projected S$31 billion to S$38 billion of construction demand for year 2014. Major public sector projects likely to be awarded in year 2014 include the Land Transport Authority ("LTA")'s Thomson MRT Line.

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

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

In the long term, the Government has announced plans to double the rail network from the current 178km to 360km by 2030. This will include the construction of two new rail lines, and the extension of three existing lines to improve the connectivity, accessibility and coverage of Singapore's rail network.

The two new rail lines are a 50-km Cross Island Line, which will run across the span of Singapore, and a 20-km Jurong Region Line which will serve the residents of Choa Chu Kang, Boon Lay and future developments in the Tengah area. LTA will also be extending the Circle Line Stage 6 to connect HarbourFront station to Marina Bay Station, thereby 'closing the circle' on the Circle Line. Apart from this, the North East Line and Downtown Line will also be extended.

Other than the rail network, Singapore Power ("SP") has also announced the construction of two electricity cable tunnels totalling 35-km in length, to be completed between 2017 and 2018. The Public Utilities Board ("PUB") has also announced the long term Deep Tunnel Sewerage System to meet the future needs of Singapore's growing population and replace existing sewerage tunnels, some of which have been in place since 1910.

The Group is also exploring business opportunities in the region, such as the Klang Valley Mass Rapid Transit project in Malaysia, of which we have already secured works at the Bukit Bintang station.

These developments present huge opportunities for the Group to grow its business in the tunnelling and structural steelworks segments in the near to long term.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation and gratitude to all staff, shareholders, customers, suppliers, business associates and bankers for their unwavering support. To the management and staff, thank you for your loyalty, dedication and commitment that have propelled the Group to what it is today. My appreciation also goes to my fellow directors on the board for their invaluable counsel and guidance during the past year.

NOBUAKI KORI
Chairman and Executive Director

FINANCIAL AND OPERATIONS REVIEW

"The Group's revenue for the financial year ended 31 December 2013 ("FY2013") was S$67.8 million, an increase of approximately S$14.9 million or 28.0% from S$52.9 million for the financial year ended 31 December 2012 ("FY2012"). Revenue derived from the structural steelworks services segment accounted for approximately 90.8% of the Group's total revenue."

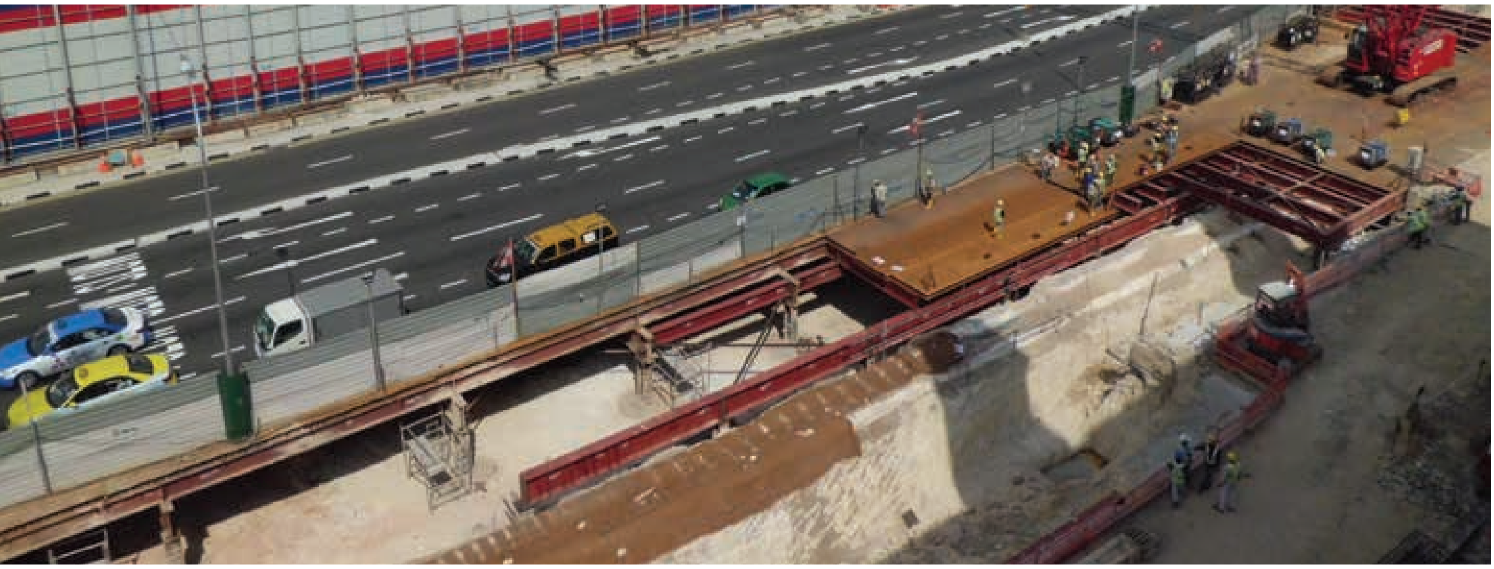
The Group's revenue for the financial year ended 31 December 2013 ("FY2013") was S$67.8 million, an increase of approximately S$14.9 million or 28.0% from S$52.9 million for the financial year ended 31 December 2012 ("FY2012"). Revenue derived from the structural steelworks services segment accounted for approximately 90.8% of the Group's total revenue.

The increase in revenue from the Group's structural steelworks services segment by approximately 25.5% from S$49.0 million in FY2012 to S$61.6 million in FY2013 was mainly attributable to the increase in work completed for certain projects. This included Tampines West Station Project, Bedok Reservoir Station Project and Bedok Town Park Station Project as they progressed to a more active phase in FY2013, partially offset by the decrease in work completed for Botanic Garden & Stevens Station Project and Newton Station Project.

Revenue from the tunnelling services segment increased from S$3.9 million in FY2012 to S$6.2 million in FY2013 mainly due to the increase in work completed for Bedok Town Park Station Project, NEWater Infrastructure Plan Extension Project, and newly commenced Rochor Station & Little India Station Project. The increase in revenue was partially offset by a decrease in revenue contributed from Little India to Newton Station Project which was close to its completion stage.

Cost of works increased by approximately S$14.1 million or 33.3% from S$42.1 million in FY2012 to S$56.2 million in FY2013. This comprised the increase in cost of works for both the structural steelworks services segment and tunnelling services segment of approximately S$11.9 million and S$2.2 million respectively.

Cost of works for the structural steelworks services segment increased by 30.2% from approximately S$39.2 million in FY2012 to S$51.1 million in FY2013 mainly due to an increase in material cost of S$2.9 million, subcontractors' charges of S$5.8 million, worksite expenses of S$1.1 million and rental expenses of S$1.6 million. More materials and a larger portion of subcontracting works were required due to the increase in business activities in FY2013 as compared to FY2012. In addition, the Group also incurred more worksite and rental expenses for the rental of machineries and equipment.



Cost of works for the tunnelling services segment increased from S$2.9 million in FY2012 to S$5.0 million in FY2013 mainly attributable to an increase in employee compensation of S$1.9 million and rental expenses of S$0.2 million. This increase was in line with the increase in the level of construction activities for projects under this segment and commencement of several new projects.

The Group's gross profit increased by approximately S$0.8 million or 7.5% from S$10.8 million in FY2012 to S$11.6 million in FY2013. The Group's gross profit margin decreased from 20.4% in FY2012 to 17.1% in FY2013. The lower gross profit margin was due to lower gross profit margin for both the structural steelworks and tunnelling services segments as costs incurred were higher than expected for some projects during FY2013.

The Group recorded a net profit of S$7.7 million in FY2013 as compared to a net profit of S$7.9 million in FY2012, a decrease of 2.2% owing to the factors above.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP

As at 31 December 2013, the Group's current assets of approximately S$63.5 million accounted for approximately 97.7% of the Group's total assets.

Trade and other receivables of approximately S$52.9 million accounted for 83.2% of the Group's total current assets. Trade and other receivables comprised mainly trade receivables of S$5.4 million, construction contracts due from customers of S$46.2 million and loan to Fuchiang Construction (S) Pte Ltd of S$0.5 million. The increase in trade receivables of S$1.2 million was in line with the Group's increase in turnover and the increase in construction contracts due from customers of S$12.3 million from works done but which have not been billed to customers as at 31 December 2013.

Inventories of approximately S$1.4 million as at 31 December 2013 increased by 46% and accounted for 2.3% of the Group's total current assets. This increase was attributable to the buying back of materials from the Newton Station Project and Botanic Gardens & Stevens Station Project, to stockyard for the use in future projects.

The Group's current liabilities of approximately S$17.3 million accounted for 77.5% of the Group's total liabilities as at 31 December 2013.

Trade and other payables of approximately S$16.4 million accounted for 94.5% of the Group's total current liabilities. The increase in trade and other payables of S$1.2 million was largely due to higher construction activities during FY2013.

Non-current liabilities of approximately S$5.0 million accounted for 22.5% of total liabilities. The unsecured 3-year, 5% convertible bond issued to Keong Hong Holdings Limited accounted for 99.4% of the Group's total non-current liabilities.

The Group reported net working capital of approximately S$46.2 million as at 31 December 2013 compared to S$34.8 million as at 31 December 2012.

BOARD OF **DIRECTORS**

01 MR. NOBUAKI KORI

02 MR. HOOI YU KOH

03 MR. NICHOLAS PHILIP LAZARUS

04 MR. KUAN CHENG TUCK

05 MR. LIM YEOK HUA

MR. NOBUAKI KORI

Chairman and Executive Director

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

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

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

MR. HOOI YU KOH

CEO and Managing Director

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

Mr. Hooi has more than 18 years of experience in the civil/engineering construction industry. He was first employed with Mudajaya Construction Sdn. Bhd. as a design and planning engineer and a section head in 1995 and was responsible for the construction of Kapar Power Station Phase II in Malaysia till May 1996. Since June 1996, Mr. Hooi has been instrumental in the development and growth of our Group's business. In June 1996, he joined Kori Malaysia as a project manager and was in charge of managing all our projects in Malaysia till November 1999. From November 1999 to October 2005, he was in charge of managing all our projects in Singapore as a project manager of Kori Singapore. He was subsequently promoted to CEO and Executive Director of Kori Singapore in 2005 and 2012 respectively.

Mr. Hooi has been a member of the Singapore Welding Society since December 2004 and has been a certified welding inspector certified by the American Welding Society since January 2005. Mr. Hooi graduated from University of Malaya with a Bachelor Degree in Engineering (Civil) (First Class Honours) in 1995 and was awarded the Mudajaya Scholarship Award and the Chan Sai Soo Award in September 1994 and August 1995, respectively.

MR. NICHOLAS PHILIP LAZARUS

Independent Director

Mr. Nicholas Philip Lazarus is our Independent Director and was appointed on 16 November 2012. He has more than 15 years of experience in the legal industry and specialises in civil litigation, corporate finance and conveyancing. He first started

BOARD OF **DIRECTORS**

his legal career as a legal assistant at W.T. Woon & Company in July 1998. In November 1999, he joined Chan Tan & Partners as a senior legal associate till August 2001. In September 2001, he returned to W.T. Woon & Company as a partner till September 2002. Thereafter, he joined Justicius Law Corporation as a director.

Mr. Lazarus graduated from the National University of Singapore with a Bachelor Degree in Law (LLB) in 1997. He also obtained the Association of Chartered Certified Accountants qualification from the Association of Chartered Certified Accountants in 1998.

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

MR. KUAN CHENG TUCK

Independent Director

Mr. Kuan Cheng Tuck is our Independent Director and was appointed on 16 November 2012. He also currently serves as an independent director of CNMC Goldmine Holdings Limited (a company listed on Catalist of the SGX-ST) and CW Group Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange).

Mr. Kuan has more than 19 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr. Kuan has worked with various international accounting firms in Singapore and Malaysia between 1994 and early 2004. He set up and managed his own business and financial consulting firms in 2004 and his own accounting practice in 2005.

Mr. Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore and a Bachelor of Laws (Honours) degree from the University of London. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He is also an associate member of the Singapore Association of Institute of Chartered Secretaries and Administrators.

MR. LIM YEOK HUA

Independent Director

Mr. Lim Yeok Hua is our Independent Director and was appointed on 16 November 2012. Mr. Lim is also presently an independent director of Manufacturing Integration Technology Ltd, Tritech Group Limited and JK Tech Holdings Limited.

Mr. Lim has been a fellow member of the Association of the Chartered Certified Accountants since 1985. He has more than 30 years of experience in the fields of accounting, auditing, as well as business and financial advisory. Mr. Lim presently runs his own management consultancy firm. Mr. Lim is a member of the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants as well as an accredited tax advisor with the Singapore Institute of Accredited Tax Professionals.

EXECUTIVE OFFICERS

MS. CHEE SHEW YAN

Financial Controller

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

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

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

MR. NG WAI KIT

Technical Controller

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

Mr. Ng was first employed with a Malaysia company, Arup Jururunding Sdn. Bhd. as a design engineer and was responsible for designing and supervising various civil engineering/construction projects in Malaysia and Hong Kong from August 1995 to September 1998. In September 1998, he joined SKM (Singapore) Pte. Ltd. as a civil engineer and was responsible for designing and supervising various civil engineering projects in Singapore and Malaysia till June 2000 when he was re-designated as a senior civil/geotechnical engineer of the same company in charge of designing, coordinating and supervising of both temporary and permanent works till December 2002. In December 2002, he was promoted to project manager and was responsible for the management of full structural construction works of the same company till November 2005. In November 2005, he joined Kori Singapore as an engineering manager and was in charge of the construction, design and technical matters of all projects in Singapore till May 2009 when he was promoted to a Technical Controller of our Group.

Mr. Ng graduated from University of Malaya with a Bachelor degree in Engineering (Civil) (First Class Honours) in 1995 and National University of Singapore with a Master degree in Science (Civil Engineering).

EXECUTIVE OFFICERS

MR. LEE YENG TAT

Head of the Steel Division

Mr. Lee Yeng Tat is the Head of the Steel Division of our Group and has been responsible for the management of all our Group's steel strutting, piling and decking projects since January 2012.

Mr. Lee was first employed with Retired Servicemen Engineering Agency, Taiwan as a civil engineer and was in charge of the underground and tunnelling projects in Taiwan from July 1989 to July 1997. In October 1997, he joined Fujita Corporation (M) Sdn. Bhd. in Malaysia as a project manager in charge of underground and tunnelling projects in Malaysia till April 2002. In July 2002, he joined Kori Singapore as a project manager and was responsible for the management of all the projects in the Singapore till December 2011. In January 2012, he was promoted to the Head of Steel Division in charge of all the steel strutting, piling and decking projects of our Group.

Mr. Lee graduated from National Taiwan University in 1989 with a Bachelor degree in Science of Engineering (Civil).

Mr. Lee has also successfully completed the required course of study and passed the examination required for the certification and registration as a structural steel supervisor and has obtained the Certification of Structural Steel Supervisor issued by the Singapore Structural Steel Society in August 2008.

MR. CHOOKUL CHARUN

Head of the Tunnel Division

Mr. Chookul Charun is the Head of the Tunnel Division of our Group and has been responsible for the management of all our Group's tunnelling projects since January 2012.

Mr. Chookul was first employed with Nishimatsu Construction Co., Ltd. as a tunnel engineer and was responsible for the control, coordination and operation of tunnelling projects in Thailand from May 2001 to October 2003. In October 2003, he joined Boygues Thai Ltd. as a civil engineer and was responsible for coordinating and supervising infrastructure works in Thailand till December 2004. In August 2005, he joined Kori Singapore as a tunnel engineer and was responsible for the tunnelling operations of the Singapore MRT Circle Line project till December 2007 when he was promoted to a senior tunnel engineer in charge of the tunnelling operations of the Singapore MRT Downtown Line project and the Dubai Metro Red Line projects till late 2010. In December 2010, he was promoted to a tunnel manager and was responsible for the Singapore MRT Downtown Line project till January 2012 when he was once again promoted to the Head of Tunnel Division in charge of all tunnelling projects of our Group.

Mr. Chookul graduated from King Mongkut's University of Technology Thonburi in Thailand in 2001 with a Bachelor degree in Engineering (Civil).

FINANCIAL **HIGHLIGHTS**

REVENUE S$'000

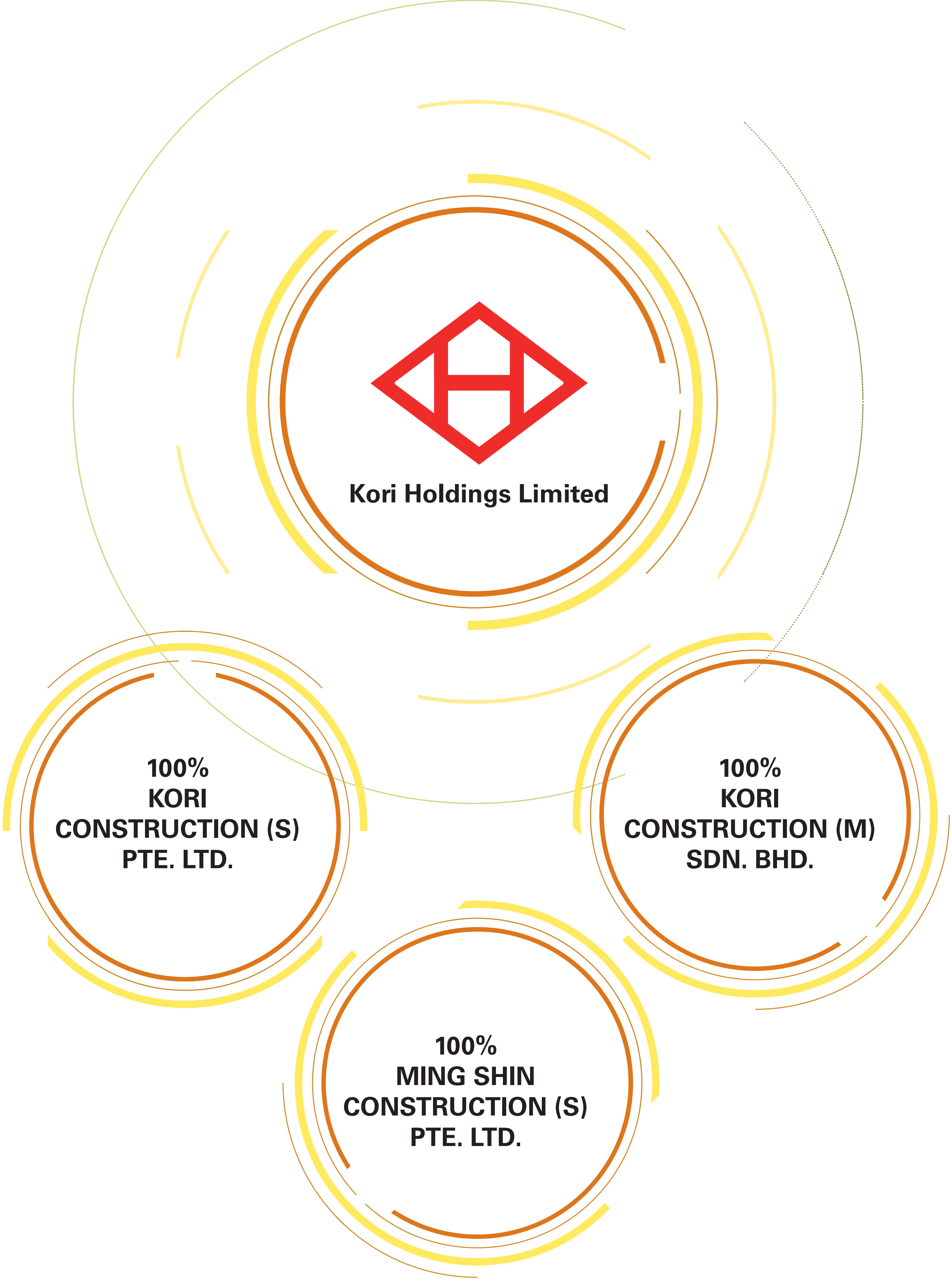
PROFIT BEFORE TAX S$'000

PROFIT AFTER TAX S$'000

TOTAL ASSETS S$'000

SHAREHOLDER EQUITY S$'000

GROUP STRUCTURE



CORPORATE **INFORMATION**

BOARD OF DIRECTORS
MR. NOBUAKI KORI *(Chairman and Executive Director)*
MR. HOOI YU KOH *(CEO and Managing Director)*
MR. NICHOLAS PHILIP LAZARUS *(Independent Director)*
MR. KUAN CHENG TUCK *(Independent Director)*
MR. LIM YEOK HUA *(Independent Director)*

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

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

REGISTERED OFFICE
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#06-01 SCN Centre
Singapore 387385
Tel: 68443445
Fax: 67499150

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20 Cecil Street
#21-02 Equity Plaza
Singapore 049705

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

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

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

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

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

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

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

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Kori Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protection of shareholders' interest.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2013 ("**FY2013**") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), except where otherwise stated. The Company has complied with the principles of the Code and where applicable, deviations from the Code have been explained.

BOARD MATTERS

Principle 1 – The Board's Conduct of its Affairs

The principle functions of the Board are, *inter alia*, to:

- Set out overall long term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the its Company to meet objectives;
- Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- Review management performance;
- Ensure good corporate governance practices to protect the interests of shareholders; and
- Appoint Directors and key executives.

The Board continues to approve matters within its statutory responsibilities. Matters which are specifically reserved to the Board for approval include, *inter alia*, the following:

- Group's corporate strategies;
- Major funding, acquisition, investment and divestment proposals;
- Interested person transactions;
- Major financing, corporate financial restructuring plans and issuance of shares;
- Financial results announcements, annual reports and audited financial statements; and
- Proposal of dividends and other returns to shareholders.

CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board has delegated certain functions to the three committees, namely the Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Audit Committee ("**AC**") (collectively, the "**Board Committees**"). These Board Committees function under clearly defined terms of reference and functional procedures, which are reviewed by the Board on a regular basis.

The Board meets at least twice yearly and additional meetings for particular matters will be convened as and when they are deemed necessary. The Company's Articles of Association ("**Articles**") provide for Directors to convene meetings other than physical meetings, by teleconferencing or videoconferencing.

The number of Board and Board Committee meetings held and the attendance of each Board member during FY2013 are as follows:

Name of Director	Board	Nominating Committee	Remuneration Committee	Audit Committee
Number of meetings held	3	2	2	3
Number of meetings attended:				
Nobuaki Kori	3	2*	2*	3*
Hooi Yu Koh	3	2*	2*	3*
Kuan Cheng Tuck	3	2	2	3
Lim Yeok Hua	3	2	2	3
Nicholas Philip Lazarus	3	2	2	3

Note:
* By invitation

All Directors will receive updates on changes in relevant laws and regulations, industry developments, business initiatives and challenges, and financial reporting standards on a regular basis. Directors are encouraged to attend relevant courses conducted by, *inter alia*, the Singapore Institute of Directors, the SGX-ST, professional associations, and business and financial institutions.

Briefings, updates and trainings for Directors in FY2013 include the following:

- The external auditors, Nexia TS Public Accounting Corporation ("**Nexia TS**"), briefed the AC on changes or amendments to accounting standards;

- The Company Secretary briefed the Board on the (i) guidelines of the Code, (ii) latest amendments to the Securities and Futures Act (Chapter 289 of Singapore) on Disclosure of Interests requirements for substantial shareholders, and (iii) Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council; and

- Two Directors, Mr Lim Yeok Hua and Mr Nicholas Phillip Lazarus, have respectively attended the "Nominating Committee Essentials" and the "Remuneration Committee Essentials" courses conducted by the Singapore Institute of Directors.

Newly appointed Directors will receive a formal appointment letter setting out their duties and obligations. All newly appointed Directors will also receive comprehensive and tailored induction upon joining the Board, including their duties as directors and how to discharge those duties, and an orientation program including site visits to the Group's operations to ensure that they are familiar with the Company's business, organisation structure, corporate strategies and policies, and governance practices. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company.

Principle 2 – Board Composition and Guidance

The Board currently comprises five members, of whom three are Independent Directors and two are Executive Directors as follows:

Nobuaki Kori	(Chairman and Executive Director)
Hooi Yu Koh	(Chief Executive Officer and Managing Director)
Kuan Cheng Tuck	(Independent Director)
Lim Yeok Hua	(Independent Director)
Nicholas Philip Lazarus	(Independent Director)

As there are three Independent Directors on the Board, Guideline 2.2 of the Code which requires that the independent directors make up at least half of the Board in view that the Executive Chairman is non-independent and is part of the management team is satisfied.

Mr Kuan Cheng Tuck, Mr Lim Yeok Hua and Mr Nicholas Philip Lazarus have confirmed that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the said Independent Directors are independent.

There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

The Board considers its current board size appropriate to effectively facilitate the operations of the Group, taking into account the nature and scope of operations of the Group. The Board believes that the current Board and Board Committees have the appropriate mix of members with the expertise and experience, in areas such as accounting and finance, business and management, corporate governance and law. The NC is also of the view that the Board comprises persons who as a group provide capabilities required for the Board to be effective. Members of the Board are regularly in touch with the management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group.

Principle 3 – Chairman and Chief Executive Officer

The Company has a separate Chairman and Chief Executive Officer ("**CEO**"), namely Mr Nobuaki Kori and Mr Hooi Yu Koh respectively. The Chairman and CEO are not related to each other. The Company believes in a clear division of responsibilities between the Chairman and the CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The CEO is responsible for the business management and day-to-day operations of the Group. He takes a leading role in developing and expanding the businesses of the Group. He also oversees the execution of the Group's corporate and business strategy as set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses.

The Chairman leads the Board discussions and also ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda in consultation with the CEO and ensures that Directors are provided with complete, adequate and timely information. He also assists in ensuring compliance with the Group's guidelines on corporate governance. He encourages constructive relations within the Board and between the Board and the management, and ensures effective communications with shareholders.

Principle 4 – Board Membership
Principle 5 – Board Performance

The NC comprises Mr Lim Yeok Hua, as Chairman, with Mr Kuan Cheng Tuck and Mr Nicholas Philip Lazarus as members. All members of the NC are Independent Directors and are not directly associated with any substantial shareholder of the Company.

The NC will be responsible for the following functions, *inter alia*:

- Reviewing and recommending candidates for appointments to the Board and Board Committees (excluding the appointment of existing members of the Board to a Board Committee);

- Reviewing and approving any new employment of related persons and proposed terms of their employment;

- Reviewing and recommending candidates to be nominees on the Board and Board Committees of the Group;

- Re-nominating the Company's Directors for re-election in accordance with the Articles at each annual general meeting and having regard to the Director's contribution and performance (including alternate directors, if applicable). All Directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least every three years;

- Determining on an annual basis whether or not a Director of the Company is independent;

- Deciding whether or not a Director of the Company is able to and has been adequately carrying out his duties and responsibilities as a director, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the Director's number of listed company board representations and other principal commitments;

- Deciding how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value. In addition to the relevant performance criteria which the Board may propose, other performance criteria that may be used include the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed;

- Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and the CEO;

- Recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and

- Reviewing and assessing from time to time whether any Director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a controlling shareholder and/or its associates.

CORPORATE GOVERNANCE

Key information regarding the Directors, including their present and past three years' directorship in other listed companies is set out on pages 6, 7, 8 and below:

Name of Director	Board Membership	Date of first appointment	Date of last re-appointment	Directorships in other listed companies		Directorships in other non-listed companies
				Current	Past three years	
Nobuaki Kori	Chairman and Executive Director	18 May 2012	26 April 2013	Nil	Nil	Nil
Hooi Yu Koh	CEO and Managing Director	18 May 2012	26 April 2013	Nil	Nil	Nil
Kuan Cheng Tuck	Independent Director	16 Nov 2012	26 April 2013	(1) CNMC Goldmine Holdings Limited (2) CW Group Holdings Limited	(1) Falmac Limited (2) China Oilfield Technology Services Group Ltd (3) ASA Group Holdings Limited (4) FDS Networks Group Ltd	(1) KCT Consulting Pte Ltd (2) Kreston Consulting Pte Ltd (3) C.T.Kuan & Co
Lim Yeok Hua	Independent Director	16 Nov 2012	26 April 2013	(1) Tritech Group Limited (2) JK Tech Holdings Limited (3) Manufacturing Integration Technology Ltd	(1) CNMC Goldmine Holdings Limited	(1) Radiant M&A Pte Ltd (2) Radiant Management Services Pte Ltd
Nicholas Philip Lazarus	Independent Director	16 Nov 2012	26 April 2013	Nil	Nil	(1) Justicius Law Corporation (2) Sealife Shipping Pte Ltd

The process of appointment and selection of a new Director begins with the NC identifying the needs in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board. The NC then prepares a description of the role and the desirable competencies for a particular appointment. If required, the NC may engage professional search firms to undertake research on, or assess candidates for the new position, and will also give due consideration to candidates identified by substantial shareholders, Board members and management. The NC will then meet with the short-listed candidates to assess their suitability. Where a candidate has been endorsed by the NC, it will then make a recommendation to the Board for approval.

The NC makes recommendations to the Board on re-appointments of Directors based on their contributions and performance, a review of the range of expertise, skills and attributes of current Board members, and the needs of the Board.

Pursuant to Article 93 of the Articles, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each annual general meeting of the Company. The Articles also provides that all Directors shall retire by rotation at least once every three years and such retiring Director shall be eligible for re-election. The NC has recommended that Mr Kuan Cheng Tuck and Mr Lim Yeok Hua be nominated for re-election at the forthcoming Annual General Meeting ("**AGM**"). Mr Kuan Cheng Tuck will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the AC and a member of the NC and RC. Mr Lim Yeok Hua will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the NC and a member of the RC and AC. Both Mr Kuan Cheng Tuck and Mr Lim Yeok Hua will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

Review of the Board's performance will be conducted by the NC annually. The NC will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, to evaluate how the Board has enhanced long-term shareholders' value.

The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and the contribution of each individual Director to the effective functioning of the Board.

For the evaluation process, the Directors will complete a board evaluation questionnaire which seeks to assess the effectiveness of the Board and its Board Committees. The results are then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a report. The report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board.

The performance criteria for the Board Committees' and Board's evaluation as a whole includes, *inter alia*, size and composition of the Board, Board's access into information, Board processes, attendance at Board meetings and related activities, strategic planning and accountability. The performance evaluation will also include, *inter alia*, consideration of the Company's share price performance over a 5-year period vis-à-vis the Singapore Straits Time Index and a benchmark index of the Company's industry peers. The contribution of each individual Director to the effectiveness of the Board is assessed individually and reviewed by the NC Chairman. The assessment criteria include, *inter alia*, commitment of time, knowledge and abilities, teamwork, and overall effectiveness.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as Director of the Company. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

The NC, having reviewed the overall performance of the Board and Board Committees in terms of its role and responsibilities and the conduct of its affairs as a whole, and the individual Directors' performance, is of the view that the performance of the Board, the Board Committees and each individual Director has been satisfactory. No external facilitator was used in the evaluation process.

Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group, taking into consideration the number of listed company board representations and other principal commitments that these Board members hold. The Board has determined that the maximum number of listed company board representations which any Director may hold is six.

Principle 6 – Access to Information

The Company's management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis. Where a decision has to be made, the necessary information is provided to the Directors to enable them to make informed decisions. The management also provides the Board with periodical updates covering operational performance, financial results, market and business development and other important and relevant information.

The Board has separate and independent access to management and the Company Secretary at all times. The Company Secretary will attend all Board meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that good information flows within the Board and its Board Committees and between management and Independent Directors. The Company Secretary also advises the Board on all governance matters and assists with professional development as required. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Each Director is entitled to seek independent professional advice at the expense of the Company, as and when necessary to enable him to discharge his responsibilities effectively.

Remuneration Matters

Principle 7 – Procedures for Developing Remuneration Policies

The RC comprises Mr Nicholas Philip Lazarus as Chairman, with Mr Kuan Cheng Tuck and Mr Lim Yeok Hua as members. All members of the RC are Independent Directors.

The key functions of the RC include, *inter alia*:

- Reviewing and approving the policy for determining the remuneration of the Group's executives, including that of the Executive Director, Chief Executive Officer and other key management executives;

- Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;

- Considering, reviewing and approving and/or varying (if necessary) the entire specific remuneration package and service contract terms for each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within the Group;

- Reviewing the Company's obligations arising in the event of termination of the Executive Director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

- Considering and approving termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management;

- Determining, reviewing and approving the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfillment of performance hurdles under such plans;

- Approving the remuneration framework (including Directors' fees) for the non-executive directors on the relevant boards of directors within the Group; and

- Reviewing the remuneration of employees who are related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities.

If necessary, the RC will seek expert advice inside the Company and/or outside professional advice on remuneration of all Directors and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. No remuneration consultants were engaged by the Company during FY2013.

The recommendations of the RC will be submitted for endorsement by the entire Board. Each member of the RC shall abstain from voting on any resolution and making any recommendations in respect of his remuneration package.

Principle 8 – Level and Mix of Remuneration

The RC performs an annual review and ensures that the remuneration packages are comparable within the industry and with similar companies. The RC will also take into consideration the Company's relative performance and the performance of individual Directors.

The Company's Executive Directors do not receive directors' fees. Instead, the Executive Directors are paid a basic salary and a performance-related bonus for their contributions.

The Independent Directors are compensated based on fixed directors' fees taking into consideration their contributions, responsibilities and time spent. Their fees are recommended to shareholders for approval at the annual general meeting and paid after the necessary approval has been obtained.

On 9 November 2012, the Company entered into separate service agreements (collectively, the "**Service Agreements**") with the Company's Chairman, CEO, Financial Controller (the "**FC**") and Technical Controller (Mr Nobuaki Kori, Mr Hooi Yu Koh, Ms Chee Shew Yan and Mr Ng Wai Kit respectively, and collectively, the "**Executives**"). The Service Agreements are for a period of three years commencing on 11 December 2012 and subject to renewal annually thereafter unless otherwise agreed in writing between the Company and the Executives or terminated in accordance with the Service Agreements. Each of the Executives is paid a basic salary and is entitled to a variable bonus to be determined by the Company based on their personal performance as well as the Group's performance for each financial year.

In addition, Mr Hooi Yu Koh (the CEO) will, in respect of each financial year in which the audited consolidated profit before tax of the Group (after minority interests but before taking into account the Incentive Bonus, as defined herein, and extraordinary items) (the "**Profit Before Tax**") is at least S$3 million, also be entitled to an incentive bonus (the "**Incentive Bonus**") equivalent to a percentage of the Profit Before Tax, further details of which are set out on page 171 of the Company's offer document dated 4 December 2012. Mr Hooi Yu Koh has met the performance condition as the Group recorded a Profit Before Tax of S$8.89 million for FY2013.

Principle 9 – Disclosure on Remuneration

Directors' Remuneration

The breakdown of the level and mix of remuneration of the Directors and key management personnel of the Company for FY2013 is set out below:

	Remuneration (S$)	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Directors						
Nobuaki Kori	291,425	0%	87%	10%	3%	100%
Hooi Yu Koh	328,628	0%	82%	10%	8%	100%
Nicholas Philip Lazarus	33,750	100%	0%	0%	0%	100%
Kuan Cheng Tuck	37,125	100%	0%	0%	0%	100%
Lim Yeok Hua	31,500	100%	0%	0%	0%	100%

	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Key Management Personnel					
Remuneration bands and names					
Below S$250,000					
Chee Shew Yan	0%	72%	15%	13%	100%
Ng Wai Kit	0%	75%	15%	10%	100%
Lee Yeng Tat	0%	74%	16%	10%	100%
Chookul Charun	0%	88%	12%	0%	100%

The annual aggregate remuneration paid to the top four key management personnel of the Company (excluding the CEO) for FY2013 is S$554,404.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, CEO and the key management personnel (who are not Directors or the CEO).

Performance bonus is designed to support the Group's business strategy and the enhancement of shareholder value through the delivery of the Group's financial performance targets and operational objectives. The performance bonus for the Executive Chairman, CEO and/or each key management personnel will vary according to the actual achievement against Group, business unit and individual performance objectives. While these objectives are different for each executive, they are assessed on the same broad principles comprising (i) quantifiable performance targets such as sales growth or productivity enhancement; and (ii) qualitative performance targets such as leadership competencies, people development, teamwork and collaboration.

No employees who are the immediate family members of a Director or the CEO had remuneration which exceeded S$50,000 during FY2013.

Kori Employee Share Option Scheme

The Company has a share option scheme under the Kori Employee Share Option Scheme (the "**Scheme**") which was adopted by the Company on 21 November 2012.

The Scheme is designed to reward and retain employees whose services are vital to the Company's well being and success. Factors which will be considered by the Administration Committee (as defined herein) in determining the number of options to be granted, and whether to dive a discount and the quantum of the discount, include, *inter alia*, the performance of the Group and the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions. For instance, where the Group needs to provide more compelling motivation for specific business units to improve their performance, grants of options will help to align the interests of employees with those of shareholders by encouraging them to focus more on improving the profitability and return of the Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation.

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The Scheme allows for participation by confirmed employees of the Group (including Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 18 years on or before the date of grant of the option, provided that none of them is an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders and their associates will not be eligible to participate in the Scheme.

The Scheme is administered by the Administration Committee, which comprises members of the RC. The total number of new shares over which options may be granted pursuant to the Scheme, when added to the number of shares issued and issuable in respect of all options granted under the Scheme (including the Share Plan (as defined below) and any other share option schemes of the Company), shall not exceed 15% of the number of issued of the Company (including treasury shares), on the day preceding the date of the relevant grant.

Since the commencement of the Scheme up to the date of this report, no options have been granted under the Scheme. Further details on the Scheme were set out in the Company's Offer Document dated 4 December 2012.

Kori Performance Share Plan ("Share Plan")

The Share Plan was adopted by the Company on 21 November 2012. The Share Plan is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance. The Share Plan is designed to reward its participants through the issue of fully-paid shares (the "**Awards**") according to the extent to which they complete certain time-based service conditions or achieve their performance targets over set performance periods.

A time-based award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executive officers the Company seeks to attract and recruit. A performance-related award may be granted, for example, with a performance target based on the successful completion of a project or the successful achievement of certain quantifiable performance targets, such as sales growth or productivity enhancement.

Performance targets set are based on short to medium-term corporate objectives including market competitiveness, quality of returns, business growth and productivity growth. These performance targets include targets set based on criteria such as shareholders' return, return on equity and earnings per share. By working towards and achieving their own performance targets, the participants would also indirectly be assisting the Company in attaining its corporate objectives and strategic business goals.

No minimum vesting periods are prescribed under the Share Plan for Awards, and the length of the vesting period in respect of each Aware will be determined on a case-by-case basis.

The Share Plan allows for participation by full time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 18 years on or before the date of grant of the Award, provided that none of them is an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders and their associates will not be eligible to participate in the Share Plan.

The Share Plan is managed by the Administration Committee, which comprises members of the RC. The (a) total number of new shares which may be issued pursuant to Awards granted on any date; and where applicable, (b) total number of existing shares which may be purchased from the market for delivery pursuant to Awards granted under the Share Plan, when added to the number of new shares issued and issuable in respect of all Awards granted under the Share Plan (including the Scheme and any other share option schemes of the Company), shall not exceed 15% of the number of issued shares (including treasury shares) on the day preceding the date of the relevant Awards.

Since the commencement of the Share Plan up to the date of this report, no Awards were granted under the Share Plan. Further details on the Share Plan were set out in the Company's Offer Document dated 4 December 2012.

ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with statutory requirements and the Catalist Rules.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of the Company's performance, financial position and prospects on a monthly basis and as the Board may require from time to time. The Company will announce its financial results on a half-yearly basis and disclose other relevant material information on the Company via SGXNET to the shareholders.

Principle 11 – Risk Management and Internal Controls

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The identification and management of risks are delegated to management who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Management reports and highlights all significant risk management matters to the Directors and the AC for discussion and appropriate action.

The Board will review on an annual basis the adequacy and effectiveness of the Company's internal controls system, including financial, operational, compliance and information technology controls.

For FY2013, the Board has received assurance from the CEO and FC that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) the Company's risk management and internal controls systems are effective.

The internal audit function of the Group has been outsourced to RSM Ethos Pte Ltd ("**RSM Ethos**"), which has performed an internal audit review of the Group for FY2013 and highlighted all significant matters in relation to the Group's internal controls to the AC. In addition, the AC held discussion with the external auditors, Nexia TS in relation to the Group's internal controls. The Board and/or the management have addressed the issues raised by the internal and external auditors.

Based on the work performed by the internal auditors and external auditors, assurance from the CEO and FC as well as reviews performed by management and the various Board Committees, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, were adequate for FY2013.

Principle 12 – Audit Committee

The AC comprises Mr Kuan Cheng Tuck as Chairman, with Mr Nicholas Philip Lazarus and Mr Lim Yeok Hua as members. All members of the AC are Independent Directors and have, among them, accounting, legal, business or related financial management expertise and experience.

The AC will meet at least two times annually (or more frequently as circumstances require). The key functions of the AC, include, *inter alia*:

- Assist the Board in the discharge of its responsibilities on financial reporting matters;

- Review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, reports/management letters and the management's response, and results of the Company's audits compiled by the internal and external auditors;

- Review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risks areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

- Review the effectiveness and adequacy of the Company's internal controls and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

- Review the effectiveness of the Group's internal audit function and review the scope and results of the external audits as well as the independence and objectivity of the external auditors;

- Commission and review an annual internal control audit until such time the AC is satisfied that the Group's internal controls are sufficiently robust and effective enough to mitigate the Group's internal control weaknesses (if any), and prior to the decommissioning of the annual audit, the Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal controls audit;

- Review with external auditors the impact of any new or proposed changes in accounting policies or regulatory requirements on the financial statements of our Group;

- Review the co-operation given by the management to the external auditors;

- Review the performance of FC on an annual basis to ensure satisfactory performance;

- Review and discuss with the external auditors any suspected fraud or irregularity, suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response and report such matters to the Board at an appropriate time;

- Make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- Review significant financial reporting issues and judgments with the FC and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

- Review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the FC and the internal and external auditors, including financial, operational, compliance, and information technology controls via reviews carried out by the internal auditors;

- Review filings with the SGX-ST or other regulatory bodies which contain the Group's financial statements and ensure proper disclosure;

- Review and approve transactions falling within the scope of Chapters 9 and 10 of the Catalist Rules (if any);

- Review interested person transactions and any potential conflicts of interest. In particular, the AC will review and assess from time to time whether additional processes are required to be put in place to manage any material conflicts of interest between the Group and the Directors, CEO, controlling shareholders and/or their respective associates and propose, where appropriate, the relevant measures for the management of such conflicts;

- Review and approve all hedging policies and instruments (if any) to be implemented by the Group;

- Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

- Review and establish procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

- Review the procedures of the "Whistle-blowing policy" by which employees of the Group may, in confidence, report to the chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;

- Report to the Board the work performed by the AC in carrying out its functions; and

- Generally, to undertake such other functions and duties as may be required by statue or the Catalist Rules, and by such amendments made thereto from time to time.

The AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations which have or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from reviewing any particular transaction or voting on such resolution in respect of which he is or may be interested in.

The AC will meet with the external and internal auditors without the presence of management at least annually to review management's level of cooperation and other matters that warrants the AC's attention. The AC has met with the external auditors and the internal auditors without the presence of management during FY2013. The AC has reasonable resources to enable it to discharge its functions properly.

The Company also has in place a whistle-blowing policy that seeks to provide a channel for employees to, in confidence, raise any concerns about possible improprieties in matters of financial reporting or other matters to the management and/or the AC and where applicable, independent investigations and appropriate follow up action may be carried out.

Auditors

The AC will review the independence of the external auditors annually. The AC has reviewed the non-audit services in relation to tax services provided by the external auditors, Nexia TS, to the Group, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Details of the aggregate amount of audit and non-audit fees paid to the external auditors during FY2013 are set out in page 67 of the Annual Report. The AC has recommended that Nexia TS be nominated for re-appointment as the Company's auditors at the forthcoming AGM.

Nexia TS is the auditor of the Company and its Singapore incorporated subsidiaries. The Company's subsidiary in Malaysia is not considered significant as defined under Rule 718 of the Catalist Rules. The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The external auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Principle 13 – Internal Audit

The Board recognises the importance of maintaining an internal audit function to maintain a sound system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure coordination between internal auditors, external auditors and management.

The internal audit function of the Group has been outsourced to RSM Ethos and their primary line of reporting is to the AC. The objective of the internal audit function is to provide an independent review on the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the AC on the Group's controls and governance process. An annual internal audit plan which entails the review of the effectiveness of the Group's controls has been developed by the internal auditor and reviewed by the AC. The AC is of the view that the outsourced internal audit function is staffed with persons with the relevant qualifications and experience, and adheres to professional standards including those promulgated by The Institute of Internal Auditors. The AC is also satisfied that the internal audit function is effective, adequately resourced and has appropriate standing within the Group.

Principle 14 – Shareholder Rights
Principle 15 – Communication with Shareholders

The Company is committed to maintaining high standards of corporate disclosure and transparency. The Board takes an open and non-discriminatory approach when communicating with shareholders, the investment community and the media. The Board provides consistent, relevant and timely information regarding the Group's performance, progress and prospects, to assist shareholders and investors in their investment decisions.

Information is communicated to the shareholders on a timely basis via annual reports, notices of general meetings, half-year and full-year announcements of financial results and other announcements or press releases through SGXNET.

The Company has in place an investor relations ("**IR**") website which contains investor-related information on the Company, including annual reports and the Company's offer document, for its shareholders. To ensure a two-way flow of information, the Company has an IR contact to solicit feedback and understand the views of shareholders.

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares will depend on the Company's earnings, financial position, results of operations, cash flow, capital needs, the terms of borrowing arrangements (if any), plans for expansion and other factors which the Directors may deem appropriate. The Board has not declared or recommended dividend in respect of FY2013, as management is of the view that it can better use the cash to invest in new business opportunities to grow the Company at this junction.

Principle 16 – Conduct of Shareholder Meetings

The Company's annual general meeting is a forum and platform for dialogue and interaction with all shareholders. The Board welcomes shareholders' feedback and questions regarding the Group at the annual general meetings. The members of the Board, Chairman of the various Board Committees and the external auditors will be present at the annual general meeting to answer questions from the shareholders.

The Articles allow a shareholder entitled to attend and vote or to appoint not more than two proxies to attend and vote on behalf at general meetings. The Articles also allow for voting in absentia by mail, facsimile or electronic email. The Company practices having separate resolutions at general meetings on each distinct issue. All resolutions at the Company's general meeting are voted on by poll so as to better reflect shareholders' shareholding interests. The poll voting results are presented to the audience during the voting process.

Material Contracts

There were no material contracts entered into by the Company or its subsidiary involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting as at 31 December 2013 or if not then subsisting, entered into since the end of the previous financial year.

Dealing in Securities

In line with Rule 1204(19) of the Catalist Rules and the Group's internal compliance code, the Company issues memoranda to its Directors and all its officers to provide guidance with regards to dealings in securities of the Company by them, highlighting that Directors and all officers are prohibited from dealing in the Company's securities, commencing one month before the release of the half-year and full-year results by the Company and ending on the date of the announcement of the results or when in possession of price-sensitive information which is not available to the public. They are also discouraged from dealing in the Company's securities on short-term considerations. Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within permitted trading period.

Non-Sponsor Fees

The amount of non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., during FY2013 was S$1,800.

Interested Persons Transactions

The Group has established procedures to ensure that all transactions entered into with interested persons are properly documented and reported on a timely manner to the AC and that the transactions are conducted on normal commercial terms and on an arm's length basis and are not prejudicial to the interest of the Company and its minority shareholders, in accordance with the internal controls set up by the Company on dealing with interested person transactions. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

There were no interested person transaction entered into during FY2013 which were more than S$100,000.

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Catalist Rules.

Use of Initial Public Offering ("IPO") Proceeds

Pursuant to the IPO, the Company received total proceeds of S$6.4 million. As at the date of this report, the proceeds have been utilised as follows:

Use of Proceeds	Amount in aggregate (S$'000)	Amount utilised (S$'000)	Amount unutilised (S$'000)
Expansion of the Group's structural steelworks and tunnelling services in Singapore	3,000	(3,000)	–
Expansion of the Group's tunnelling services in overseas markets through joint ventures or strategic alliances	100	–	100
Acquisition of land for a new storage yard	1,000	(1,000)	–
General working capital purposes	305	(305)(1)	–
Listing expenses borne by the Company	1,995	(1,995)(2)	–
Total	**6,400**	**(6,300)**	**100**

Note:

(1) The amount for general working capital has been utilised mainly for the payment of professional fees and directors' fees.
(2) The Company has reallocated the unutilised amount of approximately S$22,000 allocated for listing expenses to partially finance the acquisition of land for a new storage yard as announced by the Company on 26 July 2013.

The utilisation of the IPO proceeds is in accordance with the intended use of proceeds from the IPO as disclosed in the Company's Offer Document dated 4 December 2012. The Company will continue to make periodic announcements on the material disbursement of any proceeds pursuant to the IPO, and as and when such proceeds are materially disbursed.

Use of Convertible Bond Proceeds

The Company had on 19 August 2013 issued an unsecured 3-year, 5% convertible bond to Keong Hong Holdings Limited with a principal amount of S$5 million ("**Convertible Bond**").

As at the date of this report, the Company has not utilised the net proceeds (after deducting expenses of approximately S$0.03 million) of S$4.97 million from the Convertible Bond issue.

The net proceeds from the Convertible Bond issue is intended to be used to acquire companies in a similar business as part of the Company's expansion plans. The Company will make the necessary announcements as and when there are material developments on such acquisitions.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" and "Performance share plan" on pages 36 to 38 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of director or nominee	
	At 31.12.2013	**At date of 31.12.2012**
Company		
(No. of ordinary shares)		
Nobuaki Kori	20,440,000	31,352,000
Hooi Yu Koh	29,848,000	29,848,000

The directors' interest in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

The Company's shareholders adopted the Kori Employee Share Option Scheme (the "Share Option Scheme") on 21 November 2012 for granting of options to confirmed employees and directors of the Group. Controlling shareholders and their associates are not eligible to participate in the Share Option Scheme. The total number of ordinary shares over which the Company may grant under the Share Option Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

The Share Option Scheme is administered by the Administration Committee. A member of the Administration Committee who is also a participant of the Share Option Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Administration Committee:

(a) set at a discount to a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ('SGX-ST") for the five consecutive market days (the "Market Price") immediately preceding the relevant date of grant of the relevant option, provided that:

  (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Administration Committee and permitted by the SGX-ST); and

  (ii) the shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the scheme at a discount not exceeding the maximum discount as aforesaid, in which event, such options may be exercised after the second anniversary of the date of grant and expiring on the tenth anniversary of such date of grant; or

(b) fixed at the Market Price (the "Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

SHARE OPTIONS (CONTINUED)

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time from time to time at the discretion of the Administration Committee. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant, bankruptcy of the participant, death of the participant, a take-over of the Company, and the winding-up of the Company.

The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing on the date on which the Share Option Scheme is adopted, provided that the Share Option Scheme may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Since the commencement of the Share Option Scheme till the end of the financial year, no option has been granted under the Share Option Scheme.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries.

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

PERFORMANCE SHARE PLAN

The Kori Performance Share Plan (the "Share Plan") was adopted by the shareholders of the Company on 21 November 2012. Unlike the Options granted under the Share Option Scheme, the Share Plan contemplates the award of fully-paid shares to participants after certain pre-determined benchmarks have been met. The Directors believe that the Share Plan will be more effective than pure cash bonuses in motivating employees of the Group to work towards pre-determined goals.

The Share Plan allows for participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 18 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors.

The Share Plan is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance. The purpose of adopting the Share Plan in addition to the Share Option Scheme is to give the Directors greater flexibility to align the interests of employees of the Group, especially key executives, with the interests of Shareholders.

PERFORMANCE SHARE PLAN (CONTINUED)

The objectives of the Share Plan are as follows:

(a) to provide an opportunity for participants of the Share Plan to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(b) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The Share Plan shall be managed by the Administration Committee which has the absolute discretion to determine persons who will be eligible to participate in the Share Plan. A participant who is a member of the Administration Committee shall not be involved in any deliberation or decision in respect of awards (as the case may be) to be granted to or held by that participant.

The Share Plan shall continue in operation at the discretion of the Administration Committee for a maximum period of 10 years commencing on the date on which the Share Plan is adopted, provided that the Share Plan may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Plan may be terminated at any time by the Administration Committee and by resolution of the shareholders in general meeting, subject to all relevant approvals which may be required to be obtained. The termination of the Share Plan shall not affect the awards which have been granted in accordance with the Share Plan.

The Company will have flexibility to deliver the award shares to participants upon the vesting of their awards by way of:

(i) an issue of new shares; and/or

(ii) the purchase of existing shares on behalf of the participants.

The total number of new shares which may be issued pursuant to awards granted on any date; and total number of existing shares which may be purchased from the market for delivery pursuant to awards granted under the Share Plan, when added to the number of new shares issued and issuable in respect of all awards granted under the Share Plan (including the Share Option Scheme and any other share option schemes of the Company), shall not exceed 15% of the number of issued shares (including treasury shares, as defined in the Companies Act) on the day preceding that date of grant of the relevant awards.

Since the commencement of the Share Plan, the Company has not granted any awards under the Share Plan.

AUDIT COMMITTEE

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

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

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

INDEPENDENT AUDITOR

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

On behalf of the directors

Nobuaki Kori
Director

Hooi Yu Koh
Director

28 March 2014

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 44 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and the result of the business, changes in equity and cash flow of the Group for the financial year then ended; and

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

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

On behalf of the directors

Nobuaki Kori
Director

Hooi Yu Koh
Director

28 March 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kori Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 91, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

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

Singapore
28 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Revenue	4	**67,757,066**	52,929,441
Cost of works		**(56,163,293)**	(42,138,970)
Gross profit		**11,593,773**	10,790,471
Other (losses)/income – net	5	**(197,533)**	1,307,022
Expenses			
– Administrative		**(2,406,832)**	(2,319,711)
– Finance	8	**(98,289)**	(5,823)
Profit before income tax		**8,891,119**	9,771,959
Income tax expense	9	**(1,187,776)**	(1,894,763)
Net profit		**7,703,343**	7,877,196
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
– Currency translation loss arising from consolidation		**(4,978)**	(7,061)
Total comprehensive income		**7,698,365**	7,870,135
Earnings per share attributable to equity holders of the Company			
Basic	10	**0.08**	0.08
Diluted	10	**0.07**	0.08

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

BALANCE SHEETS

AS AT 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	11	**9,215,765**	14,273,328	**5,724,826**	6,089,129
Trade and other receivables	12	**52,882,218**	38,630,379	**5,915,991**	1,465,015
Inventories	13	**1,446,561**	987,080	**–**	–
		63,544,544	53,890,787	**11,640,817**	7,554,144
Non-current assets					
Property, plant and equipment	15	**1,512,206**	248,432	**–**	–
Investment in subsidiaries	16	**–**	–	**26,069,640**	26,069,640
		1,512,206	248,432	**26,069,640**	26,069,640
Total assets		**65,056,750**	54,139,219	**37,710,457**	33,623,784
LIABILITIES					
Current liabilities					
Trade and other payables	17	**16,369,404**	15,126,613	**1,645,481**	1,815,210
Borrowings	18	**27,112**	46,593	**–**	–
Current income tax liabilities		**933,626**	3,910,448	**–**	–
		17,330,142	19,083,654	**1,645,481**	1,815,210
Non-current liabilities					
Borrowings	18	**5,000,000**	27,113	**5,000,000**	–
Deferred income tax liabilities	21	**27,517**	27,726	**–**	–
		5,027,517	54,839	**5,000,000**	–
Total liabilities		**22,357,659**	19,138,493	**6,645,481**	1,815,210
NET ASSETS		**42,699,091**	35,000,726	**31,064,976**	31,808,574
EQUITY					
Share capital	22	**32,290,650**	32,290,650	**32,290,650**	32,290,650
Retained profits/(accumulated losses)	23	**36,041,594**	28,338,251	**(1,225,674)**	(482,076)
Merger reserve		**(25,627,521)**	(25,627,521)	**–**	–
Currency translation reserve		**(5,632)**	(654)	**–**	–
TOTAL EQUITY		**42,699,091**	35,000,726	**31,064,976**	31,808,574

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Share capital $	Retained profits $	Merger reserve $	Currency translation reserve $	Total equity $
2013						
Beginning of financial year		**32,290,650**	**28,338,251**	**(25,627,521)**	**(654)**	**35,000,726**
Total comprehensive income/(loss) for the year		**–**	**7,703,343**	**–**	**(4,978)**	**7,698,365**
End of financial year		**32,290,650**	**36,041,594**	**(25,627,521)**	**(5,632)**	**42,699,091**
2012						
Beginning of financial year		442,119	20,461,055	–	6,407	20,909,581
Issue of new shares	22	10	–	–	–	10
Share swap pursuant to restructuring exercise	1.2	(442,119)	–	(25,627,521)	–	(26,069,640)
Issue of new shares pursuant to restructuring exercise	22	26,069,640	–	–	–	26,069,640
Conversion of redeemable convertible loan pursuant to restructuring exercise	22	1,200,000	–	–	–	1,200,000
Issue of new shares pursuant to initial public offering	22	6,400,000	–	–	–	6,400,000
Share issue expenses	22	(1,379,000)	–	–	–	(1,379,000)
Total comprehensive income/(loss) for the year		–	7,877,196	–	(7,061)	7,870,135
End of financial year		32,290,650	28,338,251	(25,627,521)	(654)	35,000,726

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Net profit		**7,703,343**	7,877,196
Adjustment for			
– Income tax expense		**1,187,776**	1,894,763
– Depreciation	15	**118,104**	109,043
– Loss/(gain) on disposal of property, plant and equipment	5	**180**	(808)
– Interest income	5	**(15,827)**	(9,211)
– Interest expense	8	**98,289**	5,823
– Gains on unrealised currency translation		**(4,076)**	(5,284)
		9,087,789	9,871,522
Change in working capital			
– Trade and other receivables		**(14,251,839)**	(11,228,244)
– Trade and other payables		**1,150,325**	4,718,200
– Inventories		**(459,481)**	(226,687)
Cash (used in)/generated from operations		**(4,473,206)**	3,134,791
Income tax paid		**(4,164,796)**	(600,221)
Net cash (used in)/provided by operating activities		**(8,638,002)**	2,534,570
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(1,382,971)**	(37,110)
Proceeds from disposal of property, plant and equipment		**–**	4,813
Net cash used in investing activities		**(1,382,971)**	(32,297)
Cash flows from financing activities			
Interest received		**15,827**	9,211
Interest paid		**(5,823)**	(5,823)
Bank deposits pledged		**754,227**	(1,899)
Proceeds from issuance of convertible bond	19	**5,000,000**	–
Issue of new shares		**–**	7,600,010
Share issue expenses		**–**	(1,379,000)
Repayment of finance lease liabilities		**(46,594)**	(46,593)
Net cash provided by financing activities		**5,717,637**	6,175,906
Net (decrease)/increase in cash and cash equivalents		**(4,303,336)**	8,678,179
Cash and cash equivalent at beginning of financial year		**13,519,101**	4,840,922
Cash and cash equivalent at end of financial year	11	**9,215,765**	13,519,101

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

1. CORPORATE INFORMATION

1.1 The Company

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

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

1.2 The Restructuring Exercise

The Company undertook the following exercise ("Restructuring Exercise") in connection with its conversion to public company.

(i) Incorporation of the Company

The Company was incorporated on 18 May 2012 in Singapore under the Companies Act as a private limited company. The principal activity is that of an investment holding company. At the time of incorporation, the Company had an issued and paid-up share capital of $10 comprising 10 shares held by Mr. Nobuaki Kori and Mr. Hooi Yu Koh in the proportion of 60.0% and 40.0% respectively.

(ii) Acquisition of Kori Construction (S) Pte. Ltd. ("Kori Singapore"), Ming Shin Construction (S) Pte. Ltd. ("Ming Shin") and Kori Construction (M) Sdn. Bhd. ("Kori Malaysia")

On 28 February 2012, an aggregate of 178,500 shares in the issued and paid-up share capital of Kori Malaysia, representing 51.0% of the shareholding interest in Kori Malaysia, were transferred to Mr. Nobuaki Kori and Mr. Hooi Yu Koh from Ms. Hasniza Wazer and Ms. Fatimah Sulaiman for RM178,500.

On 18 October 2012, the Company entered into three share swap agreements with Mr. Nobuaki Kori and Mr. Hooi Yu Koh to acquire their respective shareholding interests in Kori Singapore, Ming Shin and Kori Malaysia for a purchase consideration of $15,989,983, $9,835,272 and $244,385 respectively based on the respective net assets of the three subsidiaries as at 30 June 2012. The purchase consideration for the entire equity interest in Kori Singapore, Ming Shin and Kori Malaysia was satisfied by the allotment and issuance of 65,599,990 new shares in the capital of the Company to Mr. Nobuaki Kori and Mr. Hooi Yu Koh in the proportion of 60.0% and 40.0%, respectively.

1. CORPORATE INFORMATION (CONTINUED)

1.2 The Restructuring Exercise (Continued)

(iii) Pre-Placement Share Sale

On 22 May 2012, the Chairman, Executive Director and Substantial Shareholder Mr. Kori Nobuaki entered into the Share Sale Agreement with the Purchasers, for the sale and purchase of an aggregate of 5,408,000 shares in the Company, representing 8.24% of the then issued share capital of the Company for an aggregate consideration of $676,000 (the "Share Sale").

On the date of the completion of the Share Sale (which is conditional upon the completion of the acquisition of Kori Singapore, Ming Shin and Kori Malaysia by the Company), each of the Purchasers, saved for Mr. Hooi Yu Koh, shall made payment for their respective amount of purchase consideration to Mr. Kori Nobuaki upon the terms and conditions of the Share Sale Agreement. Pursuant to the Share Sale Agreement, Mr. Hooi Yu Koh shall make payment of his purchase consideration to Mr. Kori Nobuaki within 12 months from the date of the Share Sale Agreement.

Upon the completion of the Share Sale, each of Mr. Kori Nobuaki and Mr. Hooi Yu Koh shall hold 33,952,000 shares and 29,848,000 shares, representing 51.76% and 45.50% of the issued share capital of the Company respectively and the rest of the Purchasers shall hold an aggregate of 1,800,000 shares, representing 2.74% of the issued share capital of the Company.

(iv) Pre-Placement Redeemable Convertible Loan

On 25 May 2012, the Company entered into the Convertible Loan Agreement with, among others, the Pre-Placement Investors for the grant of the Redeemable Convertible Loan by the Pre-Placement Investors to the Company upon the terms and conditions of the Convertible Loan Agreement.

1. CORPORATE INFORMATION (CONTINUED)

1.3 Basis of Consolidation

2013

The consolidated financial statements of the Group for the financial year ended 31 December 2013 have been prepared in accordance with accounting policies disclosed in Note 2.2.

2012

The consolidated financial statements of the Group for the financial year ended 31 December 2012 have been prepared under the "pooling-of-interest" method as the Restructuring Exercise completed as described in Note 1.2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of all its subsidiaries under common control for the financial years presented rather than from the date of completion of the Restructuring Exercise. Accordingly, the consolidated results of the Group for the year ended 31 December 2012 include the results of the Company and subsidiaries under common control for the entire financial year.

Pursuant to this:

- Assets and liabilities are consolidated at their existing carrying amounts;

- No amount is recognised for goodwill; and

- Merger reserve, which represents the difference between the purchase consideration and the carrying value of the entire share capital of the entities acquired under the pooling-of-interest method, was recognised in the Group accounts after the restructuring exercise carried out in 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group Accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group Accounting (Continued)

(a) Subsidiaries (Continued)

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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 net identifiable assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group Accounting (Continued)

(a) Subsidiaries (Continued)

(iii) Disposals

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

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

(b) Transactions with non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue Recognition

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

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

(a) Revenue from structural steel works and tunnelling

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

2.4 Property, Plant and Equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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:

	Useful Lives
– Furniture and fittings	10 years
– Motor vehicles	5 years
– Office equipment	1 – 10 years
– Plant and machinery	5 years
– Site office	20 years
– Freehold property	50 years

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

(c) *Subsequent expenditure*

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

(d) *Disposal*

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Investments in Subsidiaries

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

2.6 Impairment of Non-Financial Assets

Property, plant and equipment
Investment in subsidiaries

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Construction Contracts

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

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

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

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

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

2.8 Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Loans and Receivables

Bank balances
Trade and other receivables

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

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

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

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

2.10 Inventories

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

2.11 Trade and Other Payables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Borrowings

(a) *Borrowings*

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

(b) *Convertible bond*

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

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

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

2.13 Income Taxes

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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 at the balance sheet date; and

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

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

2.14 Employee Compensation

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

Defined contribution plans

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

Share-based compensation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Employee Compensation (Continued)

Performance shares

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

2.15 Currency Translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Currency Translation (Continued)

(b) Transactions and balances (Continued)

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

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

(c) Translation of group entities' financial statements

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions for Other Liabilities and Charges

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

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

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

2.17 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.

2.18 Dividends to Company's Shareholders

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

2.19 Government Grant

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

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

2.20 Fair Value Estimation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

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

2.22 Segment Reporting

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Construction contracts

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

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

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 5% from management estimates, the Group's revenue for the financial year ended 31 December 2013 will increase/decrease by $3,200,000 and $3,300,000 (2012: $2,300,000 and $2,600,000) respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 5% from management's estimates, the Group's profit for the financial year ended 31 December 2013 will decrease/increase by $790,000 and $820,000 (2012: $1,200,000 and $1,300,000) respectively.

(b) Income taxes

The Group has exposure to income taxes in Singapore and Malaysia. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2013, the carrying amount of the Group's current income tax liabilities was $933,626 (2012: $3,910,448) and the carrying amount of the Group's deferred income tax liabilities was $27,517 (2012: $27,726).

4. REVENUE

	Group	
	2013	**2012**
	$	**$**
Revenue from structural steel works	**61,546,928**	49,033,989
Revenue from tunnelling	**6,210,138**	3,895,452
	67,757,066	52,929,441

5. OTHER (LOSSES)/INCOME – NET

	Group	
	2013	**2012**
	$	**$**
Net foreign currency (loss)/gain	**(251,823)**	102,668
(Loss)/gain on disposal of property, plant and equipment	**(180)**	808
Government grant	**67,828**	13,393
(Loss)/income from sales of scrap materials	**(96,334)**	884,914
Interest income – bank deposits	**15,827**	9,211
Secondment of project engineers	**–**	256,394
Others	**67,149**	39,634
	(197,533)	1,307,022

6. EXPENSES BY NATURE

	Group	
	2013	**2012**
	$	**$**
Depreciation (Note 15)	**118,104**	109,043
Employee compensation (Note 7)	**12,100,393**	9,781,487
Entertainment	**19,523**	40,435
Fees on audit services paid/payables to:		
– Auditor of the Company	**60,000**	60,000
– Other auditors	**14,141**	3,660
Fees on non-audit services paid/payables:		
– Auditor of the Company	**14,350**	15,750
– Other auditors	**736**	–
Directors' fees	**102,375**	–
Insurance	**71,484**	72,625
Transport and travelling	**193,451**	149,215
Professional fees	**562,266**	598,541
Purchase of materials	**19,445,133**	16,179,718
Rental on operating leases	**5,161,807**	3,265,123
Sub-contractors' charges	**12,560,938**	6,839,795
Worksite	**8,053,104**	7,339,652
Changes in inventories	**(459,481)**	(226,687)
Other	**551,801**	230,324
Total cost of works and administrative expenses	**58,570,125**	44,458,681

7. EMPLOYEE COMPENSATION

	Group 2013 $	Group 2012 $
Wages and salaries	**11,748,200**	9,505,893
Employers' contribution to defined contribution plans including Central Provident Fund	**296,416**	223,498
Other benefits	**55,777**	52,096
	12,100,393	9,781,487

8. FINANCE EXPENSES

	Group 2013 $	Group 2012 $
Interest expense on:		
– Finance lease liabilities	**5,823**	5,823
– Convertible bond	**92,466**	–
	98,289	5,823

9. INCOME TAX EXPENSE

	Group 2013 $	Group 2012 $
Tax expense attributable to profit is made up of:		
Profit for the financial year		
Current income tax		
– Singapore	**1,522,000**	1,759,301
– Foreign	**–**	2,721
	1,522,000	1,762,022
Deferred income tax (Note 21)	**(198)**	(14,363)
	1,521,802	1,747,659
(Over)/under provision in prior financial years		
– Current income tax	**(334,026)**	110,057
– Deferred income tax	**–**	37,047
	1,187,776	1,894,763

9. INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2013	**2012**
	$	**$**
Profit before income tax	**8,891,119**	9,771,959
Tax calculated at tax rate of 17% (2012: 17%)	**1,511,490**	1,661,233
Effects of:		
– Different tax rate in other countries	**(2,006)**	(163)
– Singapore statutory stepped income exemption	**(25,925)**	(25,925)
– Expenses not deductible for tax purposes	**56,310**	43,339
– Income not subject to tax	**(1,206)**	(1,171)
– Productivity and innovation credit	**(83,063)**	(14,773)
– Tax rebate	**(30,000)**	–
– Deferred income tax not recognised	**123,335**	108,097
– Others	**(27,133)**	(22,978)
Tax charge	**1,521,802**	1,747,659

The Group has unrecognised tax losses of $1,361,000 (2012: $636,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

10. EARNINGS PER SHARE

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

In 2012, for illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company and on 99,200,000 ordinary shares in issue as at 31 December 2012.

(a) Basic earnings per share

	Group	
	2013	**2012**
Net profit attributable to equity holders of the Company ($)	**7,703,343**	7,877,196
Weighted average number of ordinary shares/number of ordinary share as at balance sheet date	**99,200,000**	99,200,000
Basic earnings per share ($)	**0.08**	0.08

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

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

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

	Group	
	2013	**2012**
Net profit attributable to equity holders of the Company ($)	**7,703,343**	7,877,196
Interest expense on convertible bonds	**92,466**	–
Net profit used to determine diluted earnings per share	**7,795,809**	7,877,196
Weighted average number of ordinary shares outstanding for basic earnings per share	**99,200,000**	99,200,000
Adjustment for convertible bond	**11,904,000**	–
	111,104,000	99,200,000
Diluted earnings per share ($)	**0.07**	0.08

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Cash at bank and on hand	**3,456,626**	12,833,039	**721,799**	6,089,129
Short-term bank deposits	**5,759,139**	1,440,289	**5,003,027**	–
	9,215,765	14,273,328	**5,724,826**	6,089,129

11. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group	
	2013	2012
	$	$
Cash and bank balances (as above)	**9,215,765**	14,273,328
Less: Short-term bank deposits pledged	**–**	(754,227)
Cash and cash equivalents per consolidated statement of cash flows	**9,215,765**	13,519,101

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables				
– Non-related parties	**5,422,563**	4,178,009	**–**	–
Construction contracts:				
– Due from customers (Note 14)	**39,150,921**	29,186,192	**–**	–
– Retention (Note 14)	**7,041,813**	4,665,729	**–**	–
	46,192,734	33,851,921	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**5,415,991**	1,351,671
– Non-related parties	**547,028**	144,445	**500,000**	113,344
	547,028	144,445	**5,915,991**	1,465,015
Deposits	**685,125**	439,000	**–**	–
Prepayments	**34,768**	17,004	**–**	–
	52,882,218	38,630,379	**5,915,991**	1,465,015

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

Other receivables include loan to non-related party amounting to $500,000 (2012: Nil) which is interest-bearing at 6% per annum, secured by inventories held by the borrower and due on 18 December 2014.

13. INVENTORIES

	Group 2013 $	Group 2012 $
Steel beams	**1,446,561**	987,080

The cost of inventories recognised as an expense and included in "cost of works" amounted to $18,985,652 (2012: $15,953,031).

14. CONSTRUCTION CONTRACTS

	Group 2013 $	Group 2012 $
Construction contract, work-in-progress		
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**163,059,784**	99,231,398
Less: Progress billings	**(124,455,713)**	(70,578,985)
	38,604,071	28,652,413
Presented as:		
Due from customers on construction contracts (Note 12)	**39,150,921**	29,186,192
Due to customers on construction contracts (Note 17)	**(546,850)**	(533,779)
	38,604,071	28,652,413
Retentions on construction contracts (Note 12)	**7,041,813**	4,665,729

15. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and fittings $	Motor vehicles $	Office equipment $	Plant and machinery $	Site office $	Freehold property $	Total $
2013							
Cost							
Beginning of financial year	**45,071**	**407,918**	**93,079**	**344,362**	**50,500**	**71,675**	**1,012,605**
Currency translation differences	**(65)**	**(1,612)**	**(641)**	**(53)**	**–**	**(1,513)**	**(3,884)**
Additions	**68,748**	**–**	**20,679**	**–**	**–**	**1,293,544**	**1,382,971**
Disposals	**(458)**	**–**	**(4,325)**	**–**	**–**	**–**	**(4,783)**
End of financial year	**113,296**	**406,306**	**108,792**	**344,309**	**50,500**	**1,363,706**	**2,386,909**
Accumulated depreciation							
Beginning of financial year	**32,387**	**308,436**	**71,942**	**299,411**	**34,572**	**17,425**	**764,173**
Currency translation differences	**(52)**	**(1,611)**	**(588)**	**(47)**	**–**	**(673)**	**(2,971)**
Depreciation charge (Note 6)	**7,690**	**66,320**	**19,293**	**12,774**	**945**	**11,082**	**118,104**
Disposals	**(458)**	**–**	**(4,145)**	**–**	**–**	**–**	**(4,603)**
End of financial year	**39,567**	**373,145**	**86,502**	**312,138**	**35,517**	**27,834**	**874,703**
Net book value at end of financial year	**73,729**	**33,161**	**22,290**	**32,171**	**14,983**	**1,335,872**	**1,512,206**
2012							
Cost							
Beginning of financial year	81,072	419,324	91,116	790,168	43,050	74,482	1,499,212
Currency translation differences	(121)	(3,306)	(1,078)	(100)	–	(2,807)	(7,412)
Additions	–	–	29,660	–	7,450	–	37,110
Disposals	(35,880)	(8,100)	(26,619)	(445,706)	–	–	(516,305)
End of financial year	45,071	407,918	93,079	344,362	50,500	71,675	1,012,605
Accumulated depreciation							
Beginning of financial year	65,265	241,339	83,041	732,385	33,737	16,618	1,172,385
Currency translation differences	(79)	(3,148)	(1,014)	(51)	–	(663)	(4,955)
Depreciation charge (Note 6)	3,080	78,345	12,530	12,783	835	1,470	109,043
Disposals	(35,879)	(8,100)	(22,615)	(445,706)	–	–	(512,300)
End of financial year	32,387	308,436	71,942	299,411	34,572	17,425	764,173
Net book value at end of financial year	12,684	99,482	21,137	44,951	15,928	54,250	248,432

The carrying amounts of motor vehicles held under finance leases are $33,161 (2012: $99,482) at the balance sheet date.

16. INVESTMENT IN SUBSIDIARIES

	Company 2013 $	Company 2012 $
Equity investments at cost		
Beginning of financial year/date of incorporation	**26,069,640**	–
Acquisition during the financial year (Note 1.2)	**–**	26,069,640
End of financial year	**26,069,640**	26,069,640

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2013 %	Equity Holding 2012 %
Kori Construction (S) Pte. Ltd.[a]	Building construction and civil engineering work	Singapore	100	100
Ming Shin Construction (S) Pte. Ltd.[a]	Building construction and civil engineering work	Singapore	100	100
Kori Construction (M) Sdn. Bhd.[b]	Contractors for construction works for all kind	Malaysia	100	100

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by MustaphaRaj Chartered Accountants, Malaysia.
(c) In accordance to Rule 176 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditor for its subsidiary would not compromise the standard and effectiveness of the audit of the Company.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade payables to:				
– Non-related parties	**14,096,044**	11,766,404	**38,530**	–
Construction contracts				
– Due to customers (Note 14)	**546,850**	533,779	**–**	–
Non-trade payables				
– Non-related parties	**212,633**	1,097,329	**–**	702,381
– Subsidiaries	**–**	–	**1,466,435**	1,087,829
	212,633	1,097,329	**1,466,435**	1,790,210
Accrued operating expenses	**1,513,877**	1,729,101	**140,516**	25,000
	16,369,404	15,126,613	**1,645,481**	1,815,210

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

18. BORROWINGS

	Group	
	2013	2012
	$	$
Current		
Finance lease liabilities (Note 20)	**27,112**	46,593
Non-current		
Convertible bond (Note 19)	**5,000,000**	–
Finance lease liabilities (Note 20)	**–**	27,113
	5,000,000	27,113
Total borrowings	**5,027,112**	73,706

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

	Group	
	2013	2012
	$	$
6 to 12 months	**27,112**	46,593
1 to 5 years	**5,000,000**	27,113
Total borrowings	**5,027,112**	73,706

18. BORROWINGS (CONTINUED)

(a) Securities granted

Finance lease liabilities of the Group are effectively secured over by motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	Group	
	2013	**2012**
	$	**$**
Convertible bond	**4,319,188**	–
Finance lease liabilities	**–**	27,113

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

	Group	
	2013	**2012**
Convertible bond	**5%**	–
Finance lease liabilities	**–**	5%

19. CONVERTIBLE BOND

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

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

The carrying amount of the liability component of the convertible bond as at balance date approximates its face value.

20. FINANCE LEASE LIABILITIES

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

	Group	
	2013	**2012**
	$	**$**
Minimum lease payments due		
– Not later than one year	**30,508**	52,416
– Between one and five years	**–**	30,508
	30,508	82,924
Less: Future finance charges	**(3,396)**	(9,218)
Present value of finance lease liabilities	**27,112**	73,706

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

Not later than one year (Note 18)	**27,112**	46,593
Between two to five years (Note 18)	**–**	27,113
	27,112	73,706

21. DEFERRED INCOME TAX LIABILITIES

	Group	
	2013	**2012**
	$	**$**
Deferred income tax liabilities		
– to be settled after one year	**27,517**	27,726

21. DEFERRED INCOME TAX LIABILITIES (CONTINUED)

Movement in deferred income tax liabilities is as follows:

	Accelerated tax depreciation $
2013	
Beginning of financial year	**27,726**
Currency translation differences	**(11)**
Credited to profit or loss (Note 9)	**(198)**
End of financial year	**27,517**
2012	
Beginning of financial year	5,104
Currency translation differences	(62)
Charged to profit or loss (Note 9)	22,684
End of financial year	27,726

22. SHARE CAPITAL

	Group and Company	
	Number of shares	Issued and paid-up share capital $
2013		
Beginning and end of financial year	**99,200,000**	**32,290,650**
2012		
Issued and fully paid share as at incorporation date, 18 May 2012	10	10
Issued of 65,599,990 new shares pursuant to the share swap agreements and share sale agreement pursuant to the Restructuring Exercise (Note 1.2)	65,599,990	26,069,640
Conversion of redeemable convertible loan pursuant to the Restructuring Exercise (Note 1.2)	8,000,000	1,200,000
New shares issued pursuant to initial public offering	25,600,000	5,021,000
End of financial year	99,200,000	32,290,650

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

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

23. RETAINED PROFITS

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

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

Key management personnel compensation

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

	Group	
	2013	**2012**
	$	**$**
Salaries and bonuses	**611,037**	589,140
Employer's contribution to defined contribution plans including Central Provident Fund	**39,496**	32,960
	650,533	622,100

25. COMMITMENTS

Operating lease commitments

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

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

	Group	
	2013	**2012**
	$	**$**
Not later than one year	**1,104,680**	621,892
Between one and five years	**223,654**	203,663
	1,328,334	825,555

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

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

(a) Market risk

(i) Currency risk

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

Group	SGD $	USD $	MYR $	Total $
As 31 December 2012				
Financial assets				
Cash and cash equivalents	14,003,004	–	270,324	14,273,328
Trade and other receivables	38,609,968	–	3,407	38,613,375
Intercompany receivables	36,616,201	–	–	36,616,201
	89,229,173	–	273,731	89,502,904
Financial liabilities				
Borrowings	(73,706)	–	–	(73,706)
Intercompany payables	(36,616,201)	–	–	(36,616,201)
Other financial liabilities	(10,011,243)	(4,572,604)	(8,987)	(14,592,834)
	(46,701,150)	(4,572,604)	(8,987)	(51,282,741)
Net financial assets/ (liabilities)	42,528,023	(4,572,604)	264,744	38,220,163
Less: Net non-financial liabilities	(3,277,269)	–	57,832	(3,219,437)
Net assets/(liabilities)	39,250,754	(4,572,604)	322,576	35,000,726
Currency profile including non-financial assets and liabilities	39,250,754	(4,572,604)	322,576	35,000,726
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(4,572,604)	–	(4,572,604)

As at 31 December 2013, if the USD strengthened/weakened against SGD by 5% (2012: 5%) with all other variables including tax rate being held constant, the Group's profit after tax would have been lower/higher by about $187,000 (2012: $190,000).

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risks

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

The effective interest rates for short-term bank deposits are 0.11% (2012: 0.25%) per annum. Any significant movement in the interest rates is not likely to have material effect to the Group.

(b) Credit risk

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the directors based on going credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by directors. The trade receivables of the Group comprise of 1 debtor (2012: 3 debtors) that represented more than 64% (2012: 64%) of trade receivables.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

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

	Group	
	2013	**2012**
	$	**$**
By geographical areas		
Singapore	**51,554,055**	38,029,930
Malaysia	**61,242**	–
By types of customers		
Non-related parties	**51,615,297**	38,029,930

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

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

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

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

	Group	
	2013	**2012**
	$	**$**
Past due < 3 months	**2,505,809**	571,021
Past due 3 to 6 months	**71,781**	14,276
Past due over 6 months	**–**	5,794
	2,577,590	591,091

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

(c) Liquidity risk

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year $	**Between 1 and 2 years $**	**Between 2 and 5 Years $**
Group			
At 31 December 2013			
Trade and other payables	**16,369,404**	**–**	**–**
Borrowings	**280,508**	**250,000**	**5,157,534**
	16,649,912	**250,000**	**5,157,534**
At 31 December 2012			
Trade and other payables	15,126,613	–	–
Borrowings	52,416	30,508	–
	15,179,029	30,508	–
Company			
At 31 December 2013			
Trade and other payables	**1,645,481**	**–**	**–**
Borrowings	**250,000**	**250,000**	**5,157,534**
	1,895,481	**250,000**	**5,157,534**
At 31 December 2012			
Trade and other payables	1,815,210	–	–

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) Capital risk

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

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

	Group	
	2013	**2012**
	$	**$**
Net debt	**12,180,751**	926,991
Total equity	**42,699,091**	35,000,726
Total capital	**54,879,842**	35,927,717
Gearing ratio	**22%**	3%

The Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

(e) Financial instruments by category

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Loan and receivables	**62,063,215**	52,886,703	**11,640,817**	7,554,144
Financial liabilities at amortised cost	**20,849,666**	14,666,540	**6,645,481**	1,815,210

27. SEGMENT INFORMATION

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

Primary reporting format – business segments:

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

27. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments: (Continued)

	Structural Steel $	Tunnelling $	Total $
2012			
Sales	49,033,989	3,895,452	52,929,441
Cost of works	(39,276,435)	(2,862,535)	(42,138,970)
Gross profit	9,757,554	1,032,917	10,790,471
Other income			1,307,022
Administrative expenses			(2,319,711)
Finance expenses			(5,823)
Profit before tax			9,771,959
Income tax expense			(1,894,763)
Net profit			7,877,196
Net profit includes:			
– Depreciation (Note 15)			109,043
Segment assets	36,768,977	1,226,226	37,995,203
Total assets includes:			
– Additions to property, plant and equipment (Note 15)			37,110
Segment liabilities	11,572,161	585,502	12,157,663

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

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

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

27. SEGMENT INFORMATION (CONTINUED)

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

	2013 $	2012 $
Segment assets for reportable segments	**51,145,439**	37,995,203
Other segment assets	**469,858**	34,727
Unallocated:		
– Cash and cash equivalents	**9,215,765**	14,273,328
– Other receivables	**547,028**	144,445
– Deposits and prepayments	**719,893**	456,004
– Inventories	**1,446,561**	987,080
– Property, plant and equipment	**1,512,206**	248,432
	65,056,750	54,139,219

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

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

	2013 $	2012 $
Segment liabilities for reportable segments	**14,353,109**	12,157,663
Other segment liabilities	**289,785**	142,520
Unallocated:		
– Other payables	**212,633**	1,097,329
– Accrued operating expenses	**1,513,877**	1,729,101
– Income tax liabilities	**933,626**	3,910,448
– Deferred income tax liabilities	**27,517**	27,726
– Finance lease liabilities	**27,112**	73,706
– Convertible bond	**5,000,000**	–
	22,357,659	19,138,493

27. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

- Singapore – the Company is headquartered and operates in Singapore. The operations in this area are principally building constructions and civil engineering works and investment holding.
- Malaysia – the operations in this area are principally contracting for all kinds of construction works.

	Revenue	
	2013	**2012**
	$	**$**
Singapore	**67,650,671**	52,929,441
Malaysia	**106,395**	–
	67,757,066	52,929,441

	Non-current assets	
	2013	**2012**
	$	**$**
Singapore	**172,407**	188,495
Malaysia	**1,339,799**	59,937
	1,512,206	248,432

Revenue from major customers

Aggregate revenue of $56,250,000 (2012: $4,876,000) are derived from 2 customers (2012: 3) that individually contributed 10% or more in the Group's revenue.

28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments to existing standards that have been published and relevant for the Group's accounting periods beginning on or after 1 January 2014 which the Group has not early adopted:

- FRS 27 Separate Financial Statement (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 Investment in Associates and Joint Venture (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Financial Instruments: Offsetting of Financial Liabilities and Assets (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual period beginning on or after 1 January 2014)
- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011): Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities (effective for annual period beginning on or after 1 January 2014)

The management anticipate that the adoption of the above FRSs and amendments to FRS in the future period will not have material impact on the financial statements of the Group and of the Company in the period of initial adoption.

29. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Kori Holdings Limited and its subsidiaries for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2014.

SHAREHOLDINGS STATISTICS

AS AT 14 MARCH 2014

Issued and paid-up capital	:	S$33,669,650
Number of issued shares	:	99,200,000
Class of shares	:	Ordinary shares
Number of treasury shares	:	Nil
Voting rights	:	On a Poll: 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 14 MARCH 2014

Size of Shareholdings	No. of shareholders	%	No. of Shares	%
1–999	5	2.89	1,200	0.00
1,000–10,000	52	30.06	357,200	0.36
10,001–1,000,000	101	58.38	12,471,000	12.57
1,000,001 and Above	15	8.67	86,370,600	87.07
Total	173	100.00	99,200,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2014

	Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
1	Nobuaki Kori	20,440,000	20.6	–	–
2	Hooi Yu Koh	14,924,000	15.04	14,924,000[(1)]	15.04

Note:

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

SHARES HELD BY PUBLIC

Based on the information provided to the Company as at 14 March 2014, approximately 49.31% of the issued shares of the Company was held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules has been complied with.

SHAREHOLDINGS STATISTICS

AS AT 14 MARCH 2014

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS AS AT 14 MARCH 2014

No.	Name	No. of Shares	%
1	NOBUAKI KORI	20,440,000	20.60
2	BNP PARIBAS NOMINEES SINGAPORE PRIVATE LIMITED	15,857,600	15.99
3	HOOI YU KOH	14,924,000	15.04
4	UOB KAY HIAN PTE LTD	5,524,000	5.57
5	HONG LEONG FINANCE NOMINEES PRIVATE LIMITED	4,416,000	4.45
6	CITIBANK NOMINEES SINGAPORE PTE LTD	4,000,000	4.03
7	MAYBANK NOMINEES (S) PTE LTD	3,389,000	3.42
8	CIMB SECURITIES (SINGAPORE) PTE LTD	3,343,000	3.37
9	MAYBANK KIM ENG SECURITIES PTE LTD	2,434,000	2.45
10	SIA LING SING	2,419,000	2.44
11	LAU ENG TIONG	2,403,000	2.42
12	TAN TIN NAM	2,192,000	2.21
13	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,009,000	2.03
14	TAN WIL LING	1,766,000	1.78
15	OW YEOW BUNG	1,254,000	1.26
16	LIM & TAN SECURITIES PTE LTD	1,000,000	1.01
17	OCBC SECURITIES PRIVATE LTD	960,000	0.97
18	TAN LEE CHING (CHEN LIZHEN)	700,000	0.71
19	LEE YENG TAT	544,000	0.55
20	LIM VOON NNA @ LIM BOON NAA	480,000	0.48
	Total:	90,054,600	90.78

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Kori Holdings Limited (the "**Company**") will be held at Temasek Club, Anvil Room, No.1 Portsdown Road, Singapore 139295 on Friday, 25 April 2014 at 2.00 p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Lim Yeok Hua, who is retiring pursuant to Article 93 of the Articles of Association of the Company.

   *Mr Lim Yeok Hua will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. The Board considers him to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")("**Catalist Rules**").*

   (Resolution 2)

3. To re-elect Mr Kuan Cheng Tuck who is retiring pursuant to Article 93 of the Articles of Association of the Company.

   Mr Kuan Cheng Tuck will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. The Board considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules.

   (Resolution 3)

4. To approve the payment of Directors' fees amounting up to S$100,000 for the financial year ending 31 December 2014, payable quarterly in arrears. **(Resolution 4)**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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

As Special Business

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

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

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

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

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

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

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

provided that:

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

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

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

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

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

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

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

(Resolution 6)

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

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

(Resolution 7)

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

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

(Resolution 8)

10. **The Proposed Adoption of Share Purchase Mandate**

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

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

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

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

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

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by shareholders in a general meeting;

(3) for the purposes of this Resolution:

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

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the earliest of the date on which the next annual general meeting of the Company is held or is required by law to be held, the date on which the share buy-backs are carried out to the full extent of the Share Purchase Mandate, or the date the said mandate is revoked or varied by the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

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

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

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**day of the making of the offer**" means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

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

(6) That the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note 4] **(Resolution 9)**

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
10 April 2014

Notes:

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

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

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

4. The instrument appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time appointed for holding the AGM.

Explanatory Note:

(1) The Resolution 6 in item 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and/or convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 6, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 6 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6.

(2) The Resolution 7 in item 8, if passed, will empower the Directors, from the date of the AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the exercise of Options granted or to be granted under the Share Option Scheme and such other share-based incentive scheme or share plan up to a number not exceeding, in total, fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares) on the date preceding the date of the relevant grant.

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

(4) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company, from the date of the AGM until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Ordinary Resolution 9. Details the proposed adoption of the Share Purchase Mandate are set out in the Appendix accompany this annual report.

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KORI HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201212407R)

Important:

1. For investors who have used their CPF monies to buy KORI HOLDINGS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely For Information Only.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM

I/We, ______________________________ (name) of ____

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

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

* and/or

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

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at Temasek Club, Anvil Room, No. 1 Portsdown Road, Singapore 139295 on Friday, 25 April 2014 at 2.00 p.m. and at any adjournment thereof.

* *Delete as appropriate*

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

Ordinary Resolutions	**ORDINARY BUSINESS**	**For**	**Against**
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon		
Resolution 2	To re-elect Mr Lim Yeok Hua as a Director of the Company		
Resolution 3	To re-elect Mr Kuan Cheng Tuck as a Director of the Company		
Resolution 4	To approve the payment of Directors' Fees for the financial year ending 31 December 2014, payable quarterly in arrears		
Resolution 5	To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS	**For**	**Against**
Resolution 6	To approve the authority to allot and issue shares		
Resolution 7	To approve the authority to allot and issue shares under the Kori Employee Share Option Scheme		
Resolution 8	To approve the authority to allot and issue shares under the Kori Performance Share Plan		
Resolution 9	To approve the Share Purchase Mandate		

Date this ____________ day of __________________ 2014

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

____

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

NOTES:
IMPORTANT

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time set for the general meeting.

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

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

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

General:

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

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(65) 6578 6522

Kori Holdings Limited

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