



KTL GLOBAL LIMITED

(Incorporated in the Republic of Singapore under Registration Number 200704519M)

INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the "**Board**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Crowe Horwath First Trust LLP, had, without qualifying its audit opinion, included in the Independent Auditor's Report a material uncertainty related to going concern and an emphasis of matter in the audited financial statements of the Group for the financial period from 1 July 2017 to 31 December 2018.

A copy of the Independent Auditor's Report and an extract of the relevant Note 2 and Note 36 to the financial statements are attached to this announcement for information.

BY ORDER OF THE BOARD

Tan Kheng Kuan
Chief Executive Officer
29 May 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 11 to 86, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial period from 1 July 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes of equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial period from 1 July 2017 to 31 December 2018.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements. The Group incurred a net loss of \$19,606,000 for the current financial period from 1 July 2017 to 31 December 2018 and reported negative operating cash flows of \$2,662,000. As at 31 December 2018, the Group's current liabilities exceeded its current assets by \$30,295,000 and the available cash balances of \$2,453,000 are not sufficient to settle the outstanding bank loans and bills payables of \$24,910,000 and \$4,721,000 respectively. These events or conditions indicate an existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED (Continued)**

Emphasis of Matter

We draw your attention to Note 36 to the financial statements, which describes the investigations by the Monetary Authority of Singapore and the Commercial Affairs Department. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED (Continued)**

Key Audit Matters (Continued)

Impairment of non-current assets – property, plant and equipment and investments in subsidiaries <i>(Refer to following notes to the financial statements ~ Notes 3, 6, and Note 2 "Critical accounting estimates, assumptions and judgements")</i>	
Key Audit Matters	How we addressed the risk
<p>As at 31 December 2018, the Group's property, plant and equipment amounted to \$11,143,000 after an impairment loss of \$2,974,000 recognised in profit or loss during the current financial period. The Company's cost of investments in subsidiaries amounted to \$51,000 after an impairment loss of \$13,160,000 recognised in profit or loss during the current financial period.</p> <p>In view of the Group's loss position, management has performed impairment assessment on these non-current assets based on the discounted cash flows projection of the relevant cash generating unit ("CGU") to determine the respective value-in-use.</p> <p>We considered this to be a key audit matter because of the significance of these non-current assets and the element of estimates and judgements required in determining the value-in-use of these non-current assets.</p>	<p>Our audit of the value-in-use of property, plant and equipment of the Group and the investment in subsidiaries of the Company focused on the management's assessment of the value-in-use.</p> <p>Our key procedures applied include, amongst others:</p> <ul style="list-style-type: none"> • Challenge the reasonableness of the revenue growth rates, gross profit margin and the discount rate used by management in the discounted cash flows of the CGUs against the past and recent performance, trend analysis, market expectation and the Group's marketing plan; • Perform stress-test analysis to assess the impact on the value-in-use of the CGUs resulting from reasonably possible changes to the revenue growth rates, gross profit margin and discount rate; and • Evaluate the adequacy of impairment made on property, plant and equipment and investments in subsidiaries. <p>Based on the above audit procedures performed, we noted management's key assumptions to be reasonable. We have also considered the Group's disclosures made in the consolidated financial statements to be adequate.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED (Continued)**

Key Audit Matters (Continued)

Valuation of inventories <i>(Refer to following notes to the financial statements ~ Note 12 and Note 2 "Critical accounting estimates, assumptions and judgements")</i>	
Key Audit Matters	How we addressed the risk
<p>As at 31 December 2018, the net carrying amount of inventories amounted to \$12,953,000 which is stated after a write-down of \$2,117,000 to the lower of cost and net realisable values (NRV).</p> <p>The estimation of NRV involves significant judgements about the future market demand and estimated selling price or scrap value of inventory items.</p> <p>We considered this to be a key audit matter because a change in the management's estimate of NRV could have a material impact on the carrying amounts of inventories.</p>	<p>Our audit of inventories valuation focused on evaluating and challenging the management's assessment of NRV.</p> <p>Our key procedures applied include, amongst others:</p> <ul style="list-style-type: none"> • Evaluate and test key internal controls of purchasing cycle together with the costing computation; • Test the inventories ageing report for its accuracy and reliability; • Discuss with management to obtain understanding of the inventory management plans for slow moving and obsolete inventories and the basis of NRV; and • Challenge the reasonableness of NRV by taking into consideration recent sales trend, latest selling price and current market condition. <p>Based on the above audit procedures performed, we found the carrying value of the inventory and write-down made in accordance with management's policy to be supportable on the basis of historical trends as well as management's inventory management plans.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

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

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

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED (Continued)**

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Sam Tai Catherine.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

29 May 2019

EXTRACT OF THE NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group incurred a net loss of \$19,606,000 (30 June 2017: \$29,634,000) and negative operating cash flows of \$2,662,000 for the financial period from 1 July 2017 to 31 December 2018 (30 June 2017: positive operating cash flows of \$819,000). As at 31 December 2018, the Group's current liabilities exceeded its current assets by \$30,295,000 (30 June 2017: \$13,093,000) and the available cash balances of \$2,453,000 are not sufficient to settle the outstanding bank loans and bills payables of \$24,910,000 and \$4,721,000 respectively.

These events or conditions indicate an existence of a material uncertainty that may cast significant doubts on the Group's and Company's ability to continue as a going concern.

Management has prepared these financial statements on a going concern basis after taking into consideration the following factors:

- (a) On 6 May 2019, the Group obtained approval from banks for a 2-year extension of its outstanding loan of \$15,526,000 as at 31 December 2018 (Loan 2 in Note 18) to a revised maturity date on 22 April 2021;
- (b) On 22 March 2019, the Group obtained email approval from SPRING Singapore and the bank to defer the principal repayment of \$5,000,000 as at 31 December 2018 (Loan 5 in Note 18) from March 2019 to March 2020;
- (c) On 4 March 2019, the Company announced the issuance of the zero coupon convertible bonds amounting to \$5,350,000 (Note 35). Subject to the approval by SGX and shareholders, approximately 20% of the proceeds will be used for general working capital purposes;
- (d) The controlling shareholders have undertaken to provide continuing financial support to the Group and Company to operate as going concern and pay the debts as and when necessary, including not to recall payments owing to them amounting to \$11,625,000 (Note 9) and not drawing or drawing partial salaries from the Group for the executive positions held, unless the Group and Company have sufficient fund to pay other liabilities in full for next 12 months;
- (e) The Group will be able to generate sufficient operating cash flows to meet its working capital and financing obligations;
- (f) The Group will receive continuing support from the banks for extending their other loans and trade facilities as and when required; and
- (g) The Group will be able to divest certain non-current assets as and when necessary, including divesting its investment properties at market value.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities which may arise. No such adjustments have been made to these financial statements.

36. OTHER MATTER

On 30 October 2017, a director of the Company then was requested to assist in an investigation by the Monetary Authority of Singapore (“MAS”) and the Commercial Affairs Department (“CAD”) of the Singapore Police Force concerning a possible offence under the Securities and Futures Act (Chapter 289). The director resigned from his position as a director of the Company with effect from 2 November 2017.

On 14 December 2017, the Company received a notice from the MAS for an investigation conducted into an offence under the Securities and Futures Act (Chapter 289) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) which required them to provide MAS with access to certain documents and information relating to the Group from 1 August 2014 to 31 December 2015.

On 25 July 2018, the Company received a notice from the CAD which states that an investigation is being conducted into an offence under the Penal Code (Chapter 224) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) which required them to provide access to certain documents and information concerning the Group, including documents, correspondence and accounting records pertaining to certain transactions, and corporate emails belonging to and IT equipment used by certain management staff.

On 23 August 2018, the Group’s Executive Chairman then (also a director of the Company who has since resigned on 28 December 2018) received a letter from the CAD which states that an investigation is being conducted into an offence under the Penal Code (Chapter 224) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition). On the same day, the Executive Chairman was interviewed by the CAD. The other directors of the Company then were also interviewed by the CAD subsequently.

The MAS and the CAD have not given the Company any further details of its investigations. The Company will continue to monitor the progress of this matter.

The directors of the Company are not aware of any offence, wrongdoing or fraud that has been committed by any officer of the Group in respect of the Group’s affairs, or by the Group. The business and operations of the Group have not been affected by the investigation and has continued as normal. The directors are of the view that the investigation will not have a material impact on the operations and financial statements of the Group.