KLW HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199504141D)
("**KLW**" or the "**Company**", and together with its subsidiaries, the "**Group**")

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITES TRADING LIMITED RELATING TO THE ANNOUNCEMENT DATED 10 NOVEMBER 2015 ENTITLED FINDINGS TO DATE BY THE SPECIAL AUDITORS

The board of directors of the Company (the "**Board**") refers to the announcement made by the Company on 10 November 2015 in relation to the findings to date by the special auditors and wishes to inform that it has received queries ("**Queries**") from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 12 November 2015. The Company sets out below the Queries and its responses to the Queries, as follows:

Question 1: What is the Board's rationale in intending to appoint Mr Lee Boon Teck as a consultant and redeploying Ms Jaslin Gaw to operations and human resource?

Company's Response

Mr Lee Boon Teck was one of the founders of KLW in 1989 and his appointment as consultant is key to ensure the continuity of door business which is the core business of KLW currently contributing more than 95% of Group revenue. His assistance to the Chief Executive Officer, Mr Quek Chek Lan ("**Mr Quek**"), will greatly contribute to shorten the learning curve of Mr Quek.

Ms Jaslin Gaw is redeployed to be in charge of the human resources ("**HR**") and operations in property development. She has been with KLW since 2007 and assisted in HR in her previous role as the Group Financial Controller. Her role in operations will be focused on KLW's property development business, currently the overseas investments in property development and management. Ms Jaslin Gaw's knowledge of KLW's business and recent events will assist the reconstituted Board in stabilising and growing KLW for all stakeholders. Ms Jaslin Gaw will also assist in the resolution of past issues especially on the pending suit and recovery of the remaining outstanding commitment fees of S$7.2 million.

In this role, Ms Jaslin Gaw will not be a cheque signatory and she reports not only to the Chief Executive Officer but also to the Audit Committee ("**AC**") and Board and she has direct access to the AC and the Board and she must report any unusual transactions and requests to the AC and the Board.

Question 2a: Please provide details of Mr Lee Boon Teck's roles and responsibilities as a consultant. Please advise on the duration of this appointment.

Company's Response

Mr Lee Boon Teck will only assist the Chief Executive Officer, Mr Quek, in the core door business. As a consultant, he will advise Mr Quek on the marketing and manufacturing of doors. Mr Lee Boon Teck will be on an initial 6 months contract which can be renewed at the Company's option.

Question 2b: What safeguards and procedures have been put in place in view of the possible appointment of Mr Lee Boon Teck as a consultant?

Company's Response

Mr Lee Boon Teck will not have an executive role and will not have any authority to represent KLW in an official capacity. He will not be able to sign any documents for KLW.

Question 3a: The special auditor had indicated Ms Jaslin Gaw's involvement in the preparation of unauthorized term sheets. These unauthorized term sheets relate to KLW's current overseas investments in property development and management. As the previous Group Financial Controller, Ms Jaslin Gaw had prepared the unauthorized term sheets without knowing the reasons and/or obtaining supporting documents. Please provide the Board's assessment and justifications on Ms Jaslin Gaw's suitability in her new role.

Company's Response

The Board feels that Ms Jaslin Gaw's experience with KLW for the past 8 years will provide the necessary knowledge to handle the new role. The current AC and Board have reminded Ms Jaslin Gaw that she reports not only to the Chief Executive Officer but also to the AC and Board and she has direct access to the AC and the Board and she must report any unusual transactions and requests to the AC and the Board.

Question 3b: Please provide details of Ms Jaslin Gaw's roles and responsibilities in HR and Operation.

Company's Response

Ms Jaslin Gaw will be in charge of HR across the Group. She will work towards alignment of human resource practices for all KLW companies and improve HR policies. Her role in operations will be focused on KLW's property development business, currently the overseas investments in property development and management.

Question 3c: The special audit report had indicated Ms Jaslin Gaw's involvement in the signing of blank cheques that were used for unauthorized payments. In view of such reference being made in the special audit report, please provide the Board's rationale for Ms Jaslin Gaw's involvement in the recovery of the Company's monies.

Company's Response

Ms Jaslin Gaw has knowledge of the past events and her continued involvement in the recovery of Company's funds will contribute to the process. Insofar as those matters concern her, she will not be involved or privy to the recovery process.

Question 4: How does the Board satisfy itself in the suitability of Mr Lee Boon Teck and Ms Jaslin Gaw's new roles in the Company?

Company's Response

Please refer to response to SGX query No.1 as above.

Question 5: What is Ms Jaslin Gaw's experience in operations and human resource?

Company's Response

Please refer to response to SGX query No.1 as above.

Question 6: What is the Company's safeguards and procedures put in place for Ms Jaslin Gaw's new appointment in operations and human resource?

Company's Response

Ms Jaslin Gaw will not be a cheque signatory for KLW and its subsidiaries.

Question 7: Who is currently managing the finances of the Company while the Board is seeking a suitable replacement?

Company's Response

In the meantime, Ms Felicia Ngo will manage the finances of the Company together with Mr Quek and oversight from the AC. Ms Felicia has the necessary qualifications and experience and she has been with KLW for 11 years. The Board will look for a suitable replacement.

Question 8: The special audit report has pointed out that the reclassification of the S$16.2 million commitment fees and the S$1.95 million to Mr Lee Boon Teck as "Cash and bank balances" represents a misstatement in the Company's half year accounts for the period ended 30 September 2014. Ms Felicia Ngo had claimed that the misstatement was due to Mr Lee Boon Teck's representation to her. Given Ms Felicia Ngo's involvement in the misstatement of the Company's accounts, how is the Board satisfied with her suitability to manage the finance function?

Company's Response

Ms Felicia Ngo has the requisite qualifications and experience and the Board is satisfied that her previous role in the preparation of KLW's financial statements was as a subordinate to both the then Group Financial Controller, Ms Jaslin Gaw and the then Group Managing Director, Mr Lee Boon Teck.

The current AC and the Board have reminded Ms Felicia Ngo that she reports not only to the Chief Executive Officer but also to the AC and the Board and she has direct access to the AC and the Board and she must report any unusual transactions and requests to the AC and the Board.

Question 9: Please provide an update and composition of the Company's key management team.

Company's Response

The Key Management team consists of
1. Chief Executive Officer – Mr Quek
2. Group Finance Manager – Ms Felicia Ngo

Question 10: How is the Board satisfied with the suitability of Ms Felicia Ngo as the key management of the Company, taking into consideration the requirement under Rule 406 (3)(b) of the Catalist rules, given Ms Felicia Ngo's involvement in the misstatement of the Company's accounts as indicated in the special audit report?

Company's Response

Ms Felicia Ngo prepared the financial statements in accordance with her superiors' instruction and the final decision to present the financial statements to the then board of directors for eventual release via SGXNet was not within her control.

Question 11: What is the current status of the pending suit and the recovery of the S$7.2 million commitment fees?

Company's Response

The Board is working with the newly appointed legal advisors Drew & Napier LLC ("**D&N**"). The Board have been advised that based on the present pleadings and the documents reviewed by D&N that the Company is unlikely to succeed in obtaining summary judgment against Michael Chan for the repayment of S$7 million under the terms of the Project Happy Term Sheet as the time for payment arises after 21 November 2015. The Company adopts D&N's advice to withdraw the present action and to file a fresh claim after 21 November 2015 for the monies to be repaid to the Company. Letter of demand had been issued for the remaining S$200,000 but the Board will keep the claim in abeyance in the meantime.

Question 12: We note that the last day of SAC Capital Private Limited's appointment as the Company's Continuing Sponsor is on 31 December 2015. Please provide a status update on the appointment of the new Continuing Sponsor.

Company's Response

The Board has shortlisted the potential new Continuing Sponsor and will make the requisite SGXNet announcement in due course.

BY ORDER OF THE BOARD

KLW Holdings Limited
22 November 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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