



ADVANCING FORWARD

ANNUAL REPORT FY2017



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This annual report has been reviewed by the Company's Sponsor, R&T Corporate Services Pte. Ltd. ("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 annual report including the correctness of any of the figures used, statements or opinions made.

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 document, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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KLW HOLDINGS LIMITED ("KLW") WAS INCORPORATED IN SINGAPORE IN 1995 AND LISTED ON THE CATALIST BOARD (FORMERLY "SESDAQ") OF THE SINGAPORE EXCHANGE SINCE 1998

KLW is an investment holdings company with two core businesses in:



Door manufacturing & distribution



Property investments & developments

OUR BUSINESSES



DOOR MANUFACTURING & DISTRIBUTION

Over the years, the KLV Group has built a name in the manufacturing and distribution of high-quality engineered doors. We have been supplying high value and quality door sets to well-known quality home improvement DIY chain-stores, door distributors and development projects throughout Europe, Asia, Middle East and the USA.

OUR OPERATIONS

Our door business operates in the following bases:

Malaysia

Manufacturing Operations:

PL0 34, Kawasan Perindustrian
Simpang Renggam, 86200 Simpang
Renggam, Johor, Malaysia

PL0 32, Kawasan Perindustrian
Simpang Renggam, 86200 Simpang
Renggam, Johor, Malaysia



China

Manufacturing Operations:

中国广东省东莞市洪梅镇洪厚路尧均段
Yao Jun Section, Hong Hou Road, Hongmei Town,
Dongguan City, Guangdong, China,
Post code: 523160

中国广东省东莞市洪梅镇梅沙村雄东工业区
Mei Sha, Xiong Dong Industrial Area,
Hongmei Town, Dongguan City,
Guangdong, China,
Post code: 523160



Vietnam

Manufacturing Operations:

Land Plot No. 452 and 453, Khanh
Binh Commune, Tan Uyen Town,
Binh Duong Province, Ho Chi Minh City,
Vietnam



Singapore

Project Management and Installation:

KLW Joinery Pte Ltd
39 Kaki Bukit Terrace
Singapore 416119





PROPERTY INVESTMENTS AND DEVELOPMENTS

In 2014, KLV Group began its foray in property investments and developments with the aim to diversify its business and capture new opportunities available. The strategies employed are to have a mix of investment properties for regular cash flow and development properties for capital returns.



Lincoln Square Carlton

23-31 Lincoln Square South, Carlton, Melbourne, Australia

This is a property situated at the vicinity of the renowned Melbourne University. Its proximity to Melbourne's CBD area has rendered it suitable for various types of re-development. The Group is currently assessing the merits of all feasible proposals for this property.

Lincoln Square Carlton

Date Acquired	March 2015
Property Type	Office Building
Storey	5
Ownership Status	Freehold
Zoning	Mixed Use Zoning*
Land Area	906 sqm
Building Area	3,745 sqm
Purchase Price	A\$12.52 million

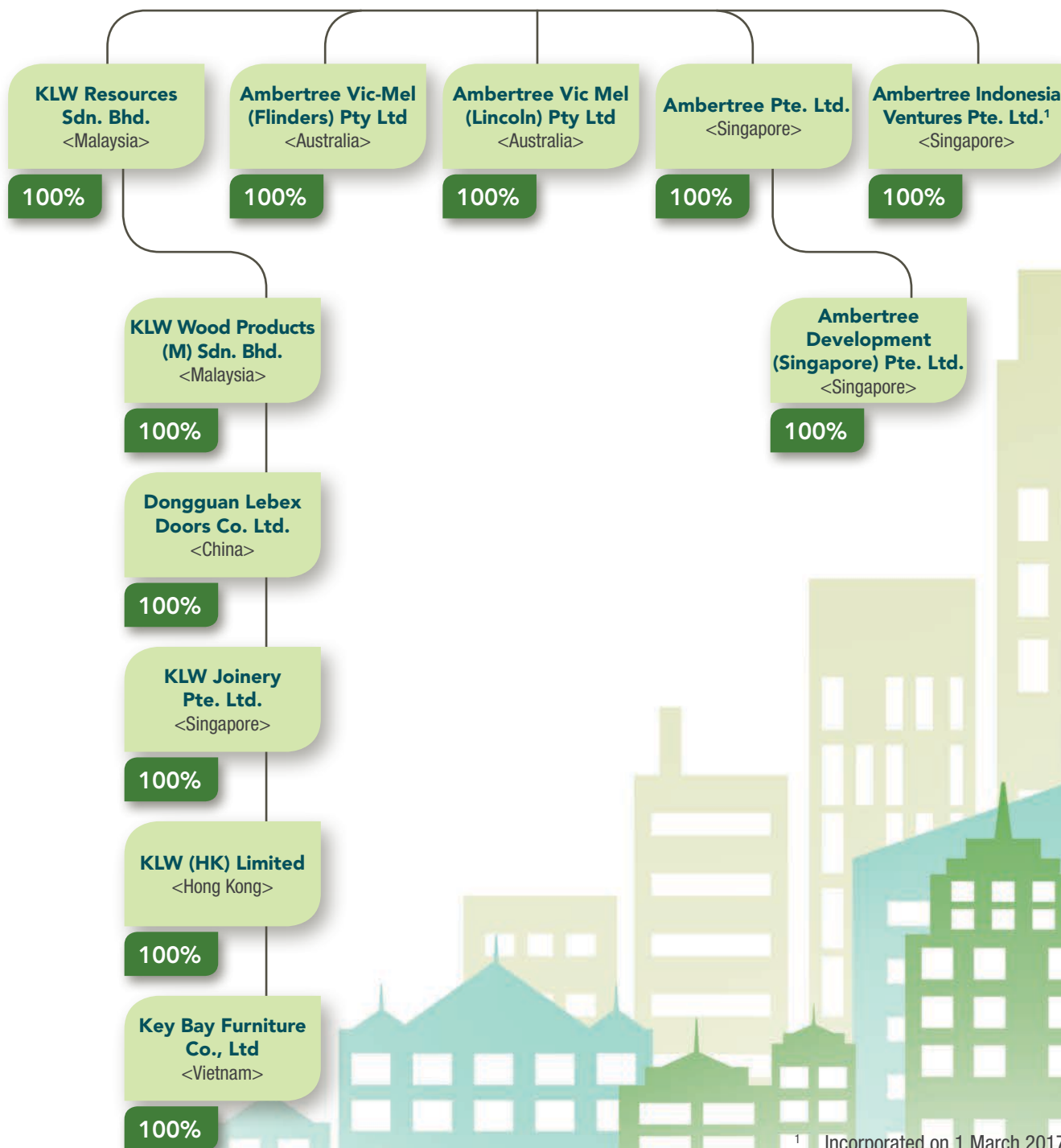
* subject to potential re-zoning under Planning Amendment C196 for inclusion within a Capital City Zone.

OUR GLOBAL FOOTPRINT





KLW GROUP STRUCTURE



¹ Incorporated on 1 March 2017

FY2017 Profit

\$9.93 million



Dear Shareholders,

On behalf of the Board, I would like to present our Annual Report for the financial year ended 31 March 2017 ("FY2017").

Our core Door business continues to perform credibly with a net segment profit of \$7.31 million. We will continue to increase our sales to existing customers and to seek new businesses in new markets globally whilst focusing on improving manufacturing efficiencies and reducing cost by improving manufacturing processes and the installation of new and more efficient equipment which will ultimately increase our production capacity. The company is now actively bidding for projects not just locally but also overseas and a new sales and marketing team has been established to help expand our client base to other countries such as Brunei and to other parts of the United States of America.

The Property business managed a turnaround from a segment loss of \$1.16 million loss in FY2016 to a segment profit of \$0.43 million profit in FY2017. We are currently reviewing the Property business to maximise the potential of our existing properties and to actively source for development opportunities. We are studying the feasibility of redeveloping Lincoln Square in Melbourne, Australia and also actively looking for new potential property development projects in Southeast Asia and Asia.

The Board of Directors has been further strengthened with the addition of executive directors and the appointment of new non-executive directors. The Board will continue to improve the standard of corporate governance and risk management and exercise extreme prudence in reviewing and evaluating new investment opportunities so as to add value to all our stakeholders.

CHAIRMAN'S STATEMENT

OPERATIONAL AND FINANCIAL REVIEW

Revenue by business activities	FY2017	FY2016	Increase / (Decrease)	Increase / (Decrease)
	\$'000	\$'000	\$'000	%
Door business	44,262	52,927	(8,665)	(16)
Property business	1,386	1,320	66	5
Total	45,648	54,247	(8,599)	(16)

The Group posted \$45.65 million of revenue for FY2017 representing a decrease of 16% as compared with \$54.25 million for FY2016. This was due to a decline in revenue attributable to projects relating to the supply and installation of doors from the Door Business during the period.

Cost of sales decreased by approximately 20% to \$29.95 million in FY2017 as compared to \$37.32 million in FY2016 in line with a decrease in revenue for the period.

The Group's gross profit decreased from \$16.93 million in FY2016 to \$15.70 million in FY2017 and the Group's gross profit margin in FY2017 increased to 34% from 31% in FY2016. This improvement in gross profit margin was attributed mainly from the local condominium project sales.

The Group's other income increased from \$1.55 million in FY2016 to \$10.12 million in FY2017. The increase was mainly due to the fair value gain on investment property. The property is stated at fair value as at 31 March 2017 and presented in the Balance Sheet as Property held-for-sale. The sale of the property was completed in 21 April 2017.

Selling and distribution expenses decreased by 10% from \$1.13 million in FY2016 to \$1.01 million in FY2017. The decrease was mainly due to lower sales commission and freight costs from the Group's Door business and customs duties.

Other expenses in FY2016 were mainly due to the impairment loss on long overdue receivables of approximately \$876,000 and the impairment loss on property, plant and equipment of approximately \$416,000.

Tax expenses for the Group increased from \$1.08 million in FY2016 to \$3.45 million in FY2017. The increase was mainly due to the tax related to the fair value gain on investment property which is approximately \$2.54 million.

Profit for FY2017 increased from \$3.75 million in FY2016 to \$9.93 million in FY2017, mainly due to the factors mentioned above.

Investment property has been reclassified from Non-current assets in FY2016 to Current assets under Property held-for-sale due to the completion of the disposal of 301 Flinders Lane, Melbourne, Australia on 21 April 2017. The Property is stated at fair value as at 31 March 2017.

Prepayments, trade and other receivables increased by 55% from \$10.64 million in FY2016 to \$16.47 million in FY2017 mainly due to a payment as deposit held in an escrow account for the proposed purchase of land in Indonesia. Likewise, cash and cash equivalents decreased by 22% from \$35.95 million in FY2016 to \$28.08 million in FY2017 mainly due to the payment as deposit for the proposed purchase price of the land in Indonesia, which is approximately \$8.98 million.

Investment property has been reclassified from Non-current assets to Current asset under Property held-for-sale due to the completion of the disposal at 301 Flinders Lane, Melbourne, Australia on 21 April 2017.

Total equity improved by 13% to \$89.33 million in FY2017 from \$78.99 million in FY2016 mainly due to profit generated during the year.

Trade and other payables decreased by 28% to \$5.62 million in FY2017 mainly due to payment made to creditors. Borrowings increased from \$1.0 million in FY2016 to \$15.96 million in FY2017 mainly due to the reclassification of Non-current liabilities - Borrowings to Current liabilities - Borrowings due to the completion of the disposal of 301 Flinders Lane, Melbourne, Australia on 21 April 2017.

Borrowings amounting to approximately \$15.00 million have been reclassified from Non-current liabilities to Current liabilities due to the completion of disposal of 301 Flinders Lane, Melbourne, Australia on 21 April 2017.

Deferred tax liabilities increased from \$1.07 million to \$4.00 million in FY2017. The increased is mainly due to the tax related to the fair value gain on investment property.

The Group's net cash flows generated from operating activities for FY2017 was \$5.11 million. This was mainly attributable to the adjustments for depreciation and changes in working capital for inventories, receivables and payables.

Net cash flows used in investing activities was \$11.56 million for FY2017. This was mainly attributable to the deposit for the purchase of land in Indonesia.

Net cash flows used in financing activities was \$1.34 million for FY2017. This arose from instalment payments for property mortgage loans in respect of the Group's properties located at 301 Flinders Lane, Melbourne, Victoria and the industrial terrace unit located at 39 Kaki Bukit Industrial Terrace.

As a result of the above, the Group's net cash and cash equivalent stood at \$28.08 million for as at 31 March 2017.

Earnings per share for the Group was 0.185 Singapore cents for FY2017 and 0.070 Singapore cents for FY2016. The Group's net asset value per share stood at 1.66 Singapore cents as at 31 March 2017 compared to 1.47 Singapore cents as at 31 March 2016.

OUTLOOK

The global macroeconomic environment continues to be challenging. Export sales for doors remain the Group's core focus. The Group continues to bid for projects.

For the Property business, the Group's strategy is to focus on generating income through property development.

The Group remains cautious with regards to market conditions and will continue to be vigilant in managing costs and improving operational efficiencies going forward.

IN APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our management and staff for their hard work, contributions and loyalty over these years. I would also like to express our sincere appreciation to our customers, vendors and business partners for your trust and support. To the shareholders, I thank them for the confidence they have in us. I would also like to thank my fellow directors, past and present, for their guidance and contributions through the years. For all of us at KLW, we look forward to having all stakeholders continue the journey with us to contribute to the performance of the Group in the future.

Yours sincerely,

Pengiran Muda Abdul Qawi

Non-Executive Chairman

July 2017

BOARD OF DIRECTORS

Pengiran Muda Abdul Qawi

Non-Executive Chairman

Pengiran Muda Abdul Qawi joined the Board of KWL Holdings Limited on 30 September 2014 as Non-Executive Chairman and was re-elected on 30 July 2016. Prince Abdul Qawi is also the Chairman of The Brunei Hotel, National Insurance Bhd, QOS Sdn Bhd, Everon Sdn Bhd and Supremo Management Services Sdn Bhd in Brunei. His past experience includes Deputy and Executive Chairman of QAF Brunei, a member of Baiduri Group and a Director of Baiduri Bank from 2000 - 2010. He was on the ASEAN Business Advisory Council from 2002 to 2012. Prince Abdul Qawi has been an active member of the INSEAD East Asia Business Council since 2005, the Confederation of Asia-Pacific Chambers of Commerce and Industry since 2004 and a Patron for the Young Entrepreneurs Association Brunei since 2010.

Wong Joo Wan

Independent Director

Mr. Wong was elected as an Independent Director on 12 October 2015. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr. Wong is currently a Director of Alternative Advisors Pte Ltd and brings more than 20 years of experience in the area of corporate advisory and finance, corporate restructuring and recovery and also specialises in investigations and litigation support services. Mr. Wong has considerable experience in the supervision of numerous commercial and securities fraud investigations, and has undertaken various valuation and financial review assignments. He currently also sits on the board of Ecowise Holdings Ltd as a non-executive Independent Director. Mr. Wong holds a degree in Commerce (Accounting & Finance) from the University of Western Australia. He is an approved Liquidator registered with the Accounting and Corporate Regulatory Authority (ACRA) in Singapore and a Fellow with the Insolvency Practitioners Association of Singapore Limited (IPAS).

Chan Ka Kin, Kevin

Independent Director

Mr. Chan was appointed as an Independent Director on 7 September 2016. He is currently the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr. Chan is the co-owner of KOS International Limited and brings more than 8 years of experience in the area of corporate recruitment and executive searches, investment advisory and professional business services across industries in Hong Kong and China. He has extensive experience in the area of capital raising for corporate ventures and also involvement in various private and public financial investment projects and fund raising exercise.

Lim Han Siang, Peter

Independent Director

Mr. Lim was appointed as an Independent Director on 7 September 2016. He is currently the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr. Lim is currently a Managing Director with Standard Chartered Bank (Hong Kong) Limited covering the Greater China markets. Prior to that, he has worked in ExxonMobil, HSBC and United Overseas Bank. In total, he brings to the Company more than 25 years of experience in the corporate world and banking, especially in the area of business development and capital raising in South East Asia and North Asia. Mr. Lim holds a Bachelor degree (Dean's List) in Business Administration from the National University of Singapore.

Wong Gloria

Executive Director

Ms. Gloria Wong was appointed as an Executive Director of the Company on 1 August 2016. She also serves as an Executive Director of Prosperity International Holdings (H.K.) Limited. Ms. Wong is currently responsible with the Group's strategy and business development. She is also assisting in the implementation of decisions and policies approved by the Board. Ms. Wong graduated from Queen Mary College, University of London with a Bachelor's degree in Economics and Finance and from King's College London with a Master's degree in International Management.

Lam Chi Yun, Terence

Executive Director

Mr. Lam was appointed as an Executive Director of the Company on 1 August 2016. He is in charge of the Group's Finance and Operation matters. Mr. Lam is an accountant with CPA, CGA (Chartered Professional Accountant) of Canada and FCCA (Fellow Member of Association of Chartered Certified Accountant). Mr. Lam is also the CFO - Malaysia Investments for the Hong Kong listed company Prosperity International Holdings (HK) Ltd. Mr. Lam graduated from Canadian Universities with a Bachelor degree in Computer Science and a Bachelor degree in Commerce (Hon).

Lam Kwan, Linda

Executive Director

Ms. Lam was appointed as an Executive Director of the Company on 1 August 2016. She is currently a Director of various companies from Hong Kong, Macau, Mainland China and Canada, including Great Harvest (Holdings) Ltd. and Union Apex Mega Shipping Limited. Ms. Lam is currently involved in the strategic planning for the Company. She brings more than 20 years of experience in the field of finance, administrative management and business operations to her publicly listed companies. She is the Chief Executive Officer of Great Harvest Maeta Group Holdings Ltd and the Director of Adex Mining Inc. With an extensive experience in the field of steel and marine transportation industries, she is currently the Director of Hong Kong Energy and Minerals United Associations and Hong Kong Shipowners Associations. Besides her business management, she is also the Vice Chairman of Pok Oi Hospital, where she commits substantial time and effort to help the community and the people in need. Ms. Lam graduated with a Bachelor degree in English for Finance from Dongbei University of Finance and Economics.

KEY MANAGEMENT

Albert Tan Sai Beng

Chief Operating Officer

Mr. Albert Tan was appointed Chief Operating Officer of the Company on 7 September 2016. He is in charge of the Group's Door Business operations in Malaysia, Vietnam, China and Singapore. He has more than 20 years of experience in various industries such as fashion and furniture retailing, building material supplies, interior renovation and construction, real estate development, property turnkey management and the hospitality industry. Mr. Tan graduated from University of Brunei Darussalam in 1997 majoring in Business Management and Marketing.

Ananthan Muniandy

General Manager for Door Business – Malaysia

Mr. Ananthan joined the Group's Door Business in Malaysia in 2005. He has worked in various departments and held various appointments such as Quality Manager, Production Manager and Factory Manager. In January 2017, he was promoted to General Manager and is in charge of the overall management responsibilities for the Malaysia's operations. He has more than 18 years of experience in door production in Malaysia. Mr. Ananthan graduated with a Diploma in Computer Science from Informatics College.

Lee Wan Cha, Adeline

Head of Sales and Marketing for Door Division

Ms. Adeline Lee joined the Group's marketing division in 2004 and she was one of the key people responsible for growing the Group's Door Business export sales to its current size. Prior to her current appointment, she was the General Manager for the Group's local project business from June 2010 to March 2017. Ms. Lee holds a degree in Business and Marketing from University of Portsmouth, UK.

Yip Man Chung, Gordon

Assistant General Manager for Door Business-China

Mr. Gordon Yip joined the Group's Door Business in China on 1 December 2016 as an Assistant General Manager. He is in charge of the overall management responsibilities for the China's operations. Mr. Yip has more than 18 years of factory management experience in China, Dongguan region. Mr. Yip graduated with a Diploma of Hospitality Management in Australia.

Lim Jit Siew

Interim Group Financial Controller

Mr. Lim was appointed Interim Group Financial Controller on 1 June 2017. He was previously an Independent Non-Executive Director of the Company, Chairman of the Audit Committee, a member of Remuneration and Nominating Committees from 12 October 2015 to 28 October 2016. Mr. Lim has more than 39 years of financial management and accounting experience in multinational companies and was previously the Chief Financial Officer of four publicly listed companies in Singapore. Mr. Lim graduated with a Bachelor of Accountancy Degree from the then University of Singapore in 1978 and is a Chartered Accountant of Singapore (CA Singapore) with the Institute of Singapore Chartered Accountants.

Ngo Yu Peng, Felicia

Group Finance Manager

Ms. Felicia Ngo joined KWL Holdings Limited in 2003. She is in charge of the Group's financial reporting and property business. Prior to joining the Group, she was with Deloitte & Touche LLP as an Accounts Officer. She is accredited with the Association of Chartered Certified Accountants since 2003 and is also a member of the Institute of Singapore Chartered Accountants since 2010.

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REPORT ON CORPORATE GOVERNANCE

KLW Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) has adopted substantial practices based on the Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore on 2 May 2012, which forms part of the continuing obligations of the Listing Manual Section B: Catalist Rules (“Catalist Rules”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) where it is applicable and practical to the Group. This Report describes the Company’s corporate governance practices and structures that were in place during the financial year from 1 April 2016 to 31 March 2017 (“FY2017”) with specific references to principles of the Code. The Company has complied, in all material aspects, with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations in relation to the Company’s practices where appropriate.

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors (the “Board”) is committed to maintaining a high standard of corporate governance. It is responsible for charting the Group’s strategies and direction. It provides an oversight for the management of the Company (“Management”) including establishing goals for the Management team, monitoring the achievement of such goals, ensuring that necessary resources are in place for the Management to meet its objectives and shareholders’ interests are being safeguarded. The Board has established an oversight framework and processes for the Management and the Group, including a system of internal controls which enable risks to be assessed and managed.

The principal role of the Board is to:

- set the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- establish a proper risk management system to ensure that key potential risks faced by the Group are properly identified and managed;
- approve the nominations of Directors and appointment of key management personnel;
- set the Group’s values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
- considering sustainability issues including environmental and social factors in the Group’s strategic formulation.

Board approval

The Board approves all transactions exceeding certain limits in accordance with an established set of approved limits of the Group, while delegating authority for transactions below those limits to the management, to facilitate operational efficiency.

Apart from its statutory duties and responsibilities, some of the matters which are reserved for the Board’s review and approval include the following:

- all capital expenditure, acquisitions, investments and divestments exceeding S\$500,000;
- funding decisions relating to operational matters;
- annual plans, budgets, policies, strategies and financial objectives;
- monitoring the performance of management and remuneration of the Executive Directors, Chief Operating Officer and key management staff;
- recommending dividends and other returns to shareholders, if appropriate;
- overseeing the framework and processes for evaluating the adequacy of the Group’s internal control system (including financial, operational, compliance and information technology risks);

REPORT ON CORPORATE GOVERNANCE

- the Group's quarterly, half-year and full-year financial results announcements; and
- the annual report and accounts for each financial year.

Board and Board Committee meetings

The Board meets every quarter to review the financial performance of the Group. It also holds ad-hoc meetings as warranted by particular circumstances and as deemed appropriate by the Board members. The Board also reviews the risks relating to the assets of the Group, examines liabilities and comments from the auditors of the Group and ensures that measures are implemented in accordance with key recommendations.

The Company's constitution (the "Constitution") allows for Board meetings to be conducted by way of tele-conference and video-conference.

The following table discloses the number of meetings held for Board and Board committees and the attendance of all Directors in FY2017:

Board members	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Held	Attendance	Held	Attendance	Held	Attendance	Held	Attendance
Pengiran Muda Abdul Qawi	4	1	–	–	–	–	–	–
Wong Gloria ⁽¹⁾	4	3	–	–	–	–	–	–
Lam Chi Yun ⁽²⁾	4	3	–	–	–	–	–	–
Lam Kwan ⁽³⁾	4	–	–	–	–	–	–	–
Lim Han Siang Peter ⁽⁴⁾	4	2	4	2	2	–	1	–
Chan Ka Kin Kevin ⁽⁵⁾	4	1	4	1	2	–	1	–
Wong Joo Wan	4	4	4	4	2	2	1	1
Lim Jit Siew ⁽⁶⁾	4	2	4	2	2	2	1	1
Nicholas Jeyaraj s/o Narayanan ⁽⁷⁾	4	2	4	2	2	2	1	1

- (1) Ms Wong Gloria was appointed as an Executive Director of the Company on 1st August 2016.
- (2) Mr Lam Chi Yun was appointed as an Executive Director of the Company on 1st August 2016.
- (3) Ms Lam Kwan was appointed as an Executive Director of the Company on 1st August 2016.
- (4) Mr Lim Han Siang Peter was appointed as Independent Non-Executive Director of the Company on 7 September 2016 and he was designated as a member of RC and NC on 7 September 2016 and Chairman of the AC on 28 October 2016.
- (5) Mr Chan Ka Kin Kevin was appointed as Independent Non-Executive Director of the Company on 7 September 2016 and he was designated as a member of the AC and NC on 7 September 2016 and Chairman of the RC on 28 October 2016.
- (6) Mr Lim Jit Siew resigned as Independent Non-Executive Director on 28 October 2016 and ceased as Chairman of the AC and member of the RC and NC on 28 October 2016.
- (7) Mr Nicholas Jeyaraj s/o Narayanan resigned as Independent Non-Executive Director on 28 October 2016 and ceased as Chairman of the RC and member of the AC and NC on 28 October 2016.

Delegation by the Board

The Board has established various committees to assist it in discharging its oversight function. These committees have clearly defined terms of reference. The respective terms of references set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the Code. The terms of references are reviewed on a regular basis to ensure their continued relevance, as are the committee structures and membership.

REPORT ON CORPORATE GOVERNANCE

These committees established by the Board are:

Audit Committee (the “AC”);
Nominating Committee (the “NC”); and
Remuneration Committee (the “RC”).

Board Orientation and Training

When a new Executive Director is to be appointed, a formal letter of appointment is provided to him, setting out his duties and obligations. Each new Director will also be provided proper briefings or explanations in respect of the regulatory requirements that a director has to comply with on appointment, the on-going obligations of a director under the Companies Act, Chapter 50 of Singapore (“Companies Act”), the Catalist Rules of the SGX-ST (“Catalist Rules”) and other regulatory requirements. In addition, the director is also given access to Board resources, including the Constitution and governing documents, the Board’s and each Board committee’s terms of reference, the Group’s policies, Annual Reports, previous Board meeting minutes and other pertinent information for his reference.

In addition, the Company conducts an orientation programme for newly appointed Directors to familiarise them with the businesses, operations, financial performance and key management executives of the Group. They also have the opportunity to visit the Group’s operational facilities and meet with Management to obtain a better understanding of the Group’s business operations.

All Directors who have no prior experience as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities of directors of a listed company.

The Management monitors changes to regulations, policies and financial reporting standards by the SGX-ST and the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”). Any change that might impact the Group and its disclosure obligations are promptly brought to the attention of the Board, either during Board meetings or via circulation of Board papers. The Company Secretary and Sponsor also advise the Board on regulatory matters relating to the Companies Act and continuing listing obligations pursuant to the Catalist Rules.

The Company will identify relevant updates, briefing and training programs for the Directors to attend. During the financial period FY2017, the Directors attended the following:

<u>Date</u>	<u>Events</u>
6 October 2016	Listed Company Directors Programme (Module 1) : Understanding the Regulatory Environment in Singapore by the Singapore Institute of Directors attended by Directors Lim Han Siang Peter, Lam Chin Yun, Lam Kwan and Chief Operating Officer, Albert Tan Sai Beng.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

As at the date of this Report, the Board comprises three (3) Executive Directors and four (4) Non-Executive Directors, of whom three (3) are Independent Directors. The current number of Independent Non-Executive Directors of the Company has fulfilled the Code’s requirements during FY2017 that at least one-third of the Board members should comprise independent directors and that no individual or small group of individuals should dominate the Board’s decision-making process. Whilst the Board is of the view that the current structure does not compromise the independence element of the Board, the Board is mindful of the requirement for independent directors to make up at least half of the Board in specified circumstances (Guideline 2.2) at the Annual General Meeting following the end of the financial year commencing on or after 1 May 2016 (i.e. at the upcoming Annual General Meeting for FY2017) and will take steps to ensure compliance with such requirement.

REPORT ON CORPORATE GOVERNANCE

As at the date of this report, the Board comprises the following members:

Pengiran Muda Abdul Qawi	Non-executive Chairman
Mr Lim Han Siang Peter	Non-executive & Independent Director
Mr Wong Joo Wan	Non-executive & Independent Director
Mr Chan Ka Kin Kevin	Non-executive & Independent Director
Ms Wong Gloria	Executive Director
Mr Lam Chi Yun	Executive Director
Ms Lam Kwan	Executive Director

The Constitution imposes a maximum appointment of fifteen (15) Directors and a minimum appointment of two (2) Directors to the Board.

The NC is of the view that the current Board composition is adequate and provides a diversity of skills, experience and knowledge to the Company. The Directors hold core competencies such as finance, manufacturing and strategic planning experience and such wealth of experience has enhanced the overall quality of the Board. The key information on the Directors is set out on pages 10 and 11 of the annual report.

Board Independence

The Board and NC review the independence of each Director on an annual basis based on the guidelines provided in the Code. The NC, having considered Guideline 2.3 on independence under the Code, is satisfied and confirms that the Independent Directors, who represent 43% of the Board, are in fact independent and there are no relationships that would otherwise deem any of the Independent Directors not to be independent.

The NC notes that under the Code, the independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment should be subject to particularly rigorous review.

At present, there are no Independent Directors who have served on the Board for a period of more than nine (9) years since the date of his first appointment.

With regard to the appointment of any new Director to the Board, the NC's search, selection and nomination process for the right candidate will include, amongst others, the use of search companies, personal contacts and recommendations, reviewing the range of expertise, skills and attributes of the existing Board members, the need for progressive renewal of the Board (including the Chairman and Executive Directors) as well as the needs of the Board, taking into consideration the Group's future business directions and strategies, before any nomination is put forward to the Board for consideration. The NC will also ensure that the new Director possesses the necessary skills, knowledge and experience to facilitate the Board's making of sound and well-considered decisions. For re-appointments, the NC takes into account the composition and progressive renewal of the Board and each director's competencies, commitment, contributions and performance.

Each Independent Director exercises his own judgment independently and in the best interests of the Company and shareholders. None of the Independent Directors has any relationship with the Company, its subsidiaries, its related corporations, its 10% shareholders¹ or its key management executives that could interfere, or reasonably be perceived to interfere, with the exercise of the Director's independent business judgment.

The Independent Directors also do not receive any remuneration, significant payments or material services payments from the Company and its subsidiaries apart from Directors' fees which are subject to shareholders' approval at an annual general meeting ("AGM"). In addition, none of the Independent Directors or his immediate family members are or were 10% shareholders of the Company as defined in the Code.

Management provides the Board members with quarterly management accounts to keep them abreast with the Group's business development and performance. The Independent Directors, at any time, also have separate and independent access to the Executive Directors, Chief Operating Officer and other key management executives of the Group. This in turn enables them to make enquiries

¹ The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

REPORT ON CORPORATE GOVERNANCE

or seek clarification on the Group's affairs. The Independent Directors also aid in developing proposals on strategy, actively participate in discussions and decision-making at Board and committees' level. The Independent Directors review the performance of Management in meeting agreed goals and objectives. The Independent Directors meet regularly on their own without the presence of Management and provide feedback to the Executive Directors after such meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Pengiran Muda Abdul Qawi is the Non-Executive Chairman of the Board. Currently, there is no Chief Executive Officer of the Company. The Executive Directors and the Chief Operating Officer of the Company are responsible for managing the Company's business. Further information on the Chairman, Executive Directors and the Chief Operating Officer can be found on pages 10 to 12 of the annual report. The roles of the Chairman, the Executive Directors and Chief Operating Officer are distinct and separate, with a clear division of responsibilities among them to ensure an appropriate balance of power and independent decision making. The Chairman, the Executive Directors and Chief Operating Officer are not related to each other.

The Chairman, Pengiran Muda Abdul Qawi, is the Non-Executive Chairman and is responsible for leading the Board. He, with the assistance of the Executive Directors, (i) sets the agenda for Board meetings, (ii) ensures that adequate time is available for discussion for all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board, (iii) encourages constructive relations within the Board and between the Board and management, (iv) facilitates effective contribution of the Independent Directors and (v) ensures effective communication with shareholders. As the Chairman, he takes a prominent role in promoting high standards of corporate governance, with the full support of the directors, the company secretary and management.

The Board has not appointed a Lead Independent Director as the Chairman, the Executive Directors and Chief Operating Officer are already separate persons, are not related to each other and the Chairman is not part of the executive management team. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director if and when the composition of the Board warrants it. The Independent Directors have demonstrated a high degree of commitment in their role as Directors. The Independent Directors had also met periodically without the presence of Executive Directors and Chief Operating Officer.

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.*

The Nominating Committee ("NC") comprises the following members:

Chairman:	Mr Wong Joo Wan	(Non-executive & Independent)
Members:	Mr Lim Han Siang Peter	(Non-executive & Independent)
	Mr Chan Ka Kin Kevin	(Non-executive & Independent)

The NC pursuant to its written terms of reference shall:-

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- annually review whether or not a Director is independent, in accordance with Guidelines 2.3 and 2.4 of the Code and other salient factors;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;

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- review and recommend to the Board for re-election, the Directors due for retirement by rotation in considering their contribution or performance;
- review and decide whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;
- decide how the Board's performance may be evaluated and propose objective performance criteria;
- decide on the performance evaluation process;
- assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board;
- review the succession plan for Directors, in particular, that of the Executive Directors; and
- make recommendations concerning any matters relating to a Director's continuation in office and the appointment of new Directors at any time.

When sourcing for potential appointees, the NC goes through the process of shortlisting and selecting all new Directors. The factors for consideration before appointing new candidates include recommendation, executive search and knowledge of the industry.

In assessing the suitability of a candidate to be appointed or to be re-elected to the Board, the NC will consider if he is able to make the appropriate contributions to the Board and the Group. The key factors which the NC will take into consideration are:

- qualifications, industry knowledge and functional expertise which are relevant and beneficial to the Group;
- the candidate's independence, in the case of the appointment of an independent director;
- extensive experience and business contacts in the industry in which the Group operates; and
- any competing time commitments if the candidate has multiple board representations.

The NC will conduct interviews with the candidates to assess other attributes or soft skills of the candidates before a decision is made for recommendation to the Board for final approval and adoption.

Pursuant to the Constitution, one-third of the Directors, including the Managing Director, retire from office at each AGM. The Directors submit themselves for re-election at regular intervals of three (3) years.

The year of initial appointment and last re-election of each Director are set out below:-

Director	Date of Initial Appointment	Date of re-election
Pengiran Muda Abdul Qawi	30 September 2014	30 July 2016
Mr Wong Joo Wan	12 October 2015	–
Ms Wong Gloria	1 August 2016	–
Mr Lam Chi Yun	1 August 2016	–
Ms Lam Kwan	1 August 2016	–
Mr Lim Han Siang Peter	7 September 2016	–
Mr Chan Ka Kin Kevin	7 September 2016	–

After assessing the contribution and performance of the retiring Director, the NC has recommended the re-election of the chairman, Pengiran Muda Abdul Qawi, who will be retiring by rotation at the forthcoming annual general meeting under regulation 109 of the Constitution. Pengiran Muda Abdul Qawi has offered himself for re-election and the Board has accepted the recommendation of the NC.

Ms Wong Gloria, Mr Lam Chi Yun, Ms Lam Kwan, Mr Lim Han Siang Peter and Mr Chan Ka Kin Kevin will be put up for re-election at the forthcoming AGM under regulation 119 of the Constitution.

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Mr Wong Joo Wan has decided not to seek re-election in the forthcoming AGM. The Company will appoint a new Independent Non-Executive Director within three (3) months after Mr Wong Joo Wan's retirement.

Directors' Commitments

The NC considers whether a Director has been and is able to adequately carry out his duties as a Director of the Company, taking into consideration, *inter alia*, the Director's number of listed company board representations, other principal commitments (which include, amongst others, significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organizations) and a qualitative assessment of each Director's contributions.

Name of Director	Listed Company Board Representation other than KLV Holdings Limited
Pengiran Muda Abdul Qawi	Nil
Mr Wong Joo Wan	Ecovise Holdings Limited
Ms Wong Gloria	Prosperity International Holdings (H.K.) Ltd
Mr Lam Chi Yun	Nil
Ms Lam Kwan	Great Harvest Maeta Group Holdings Ltd, Adex Mining Inc.
Mr Lim Han Siang Peter	Nil
Mr Chan Ka Kin Kevin	Nil

The NC is of the view that the Directors have discharged their duties effectively based on the number of listed company board representations as shown above. Having a numerical limit on the number of directorships is not necessary for the Company's present circumstances and hence, the Board has not set a maximum number of listed company directorships which each Director may hold. The Board has instead tasked the NC to review if a Director with multiple board representations has devoted sufficient time and attention to the affairs of the Group. The NC is satisfied that sufficient time and attention has been given by each Director to the affairs of the Group to fulfill their responsibilities, notwithstanding that some of the Directors have multiple board representations.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established an annual review process to assess the performance and effectiveness of the Board as a whole. Each year, all Directors will complete a Board assessment questionnaire to provide their views on the overall effectiveness of the Board. The completed assessment forms are collated and the consolidated responses are presented during the NC meeting for discussion, determining areas for improvement and enhancement of Board effectiveness. Based on the assessment forms received, the Board has met its performance objectives for FY2017. The NC's evaluation of the Board's performance was discussed and considered by the Board and recommendations to strengthen the effectiveness of the Board and the committees were accepted by the Board.

The performance criteria for assessment of the Board are in respect of board size, board independence, board processes, the board's key responsibilities and accountability and the board committees' performance in relation to discharging their responsibilities as set out in their terms of reference.

In assessing the Directors' contributions and the overall performance of the Board, the NC also takes into consideration the Directors' individual performance of principal functions and fiduciary duties, attendance, preparedness and participation at and the candour of the meetings of the Board, Board committees and AGM, the individual Director's functional expertise and his commitment to the Company. Board committees' assessments are incorporated into Board assessment as a whole. The NC is reviewing the current assessment process to take into consideration the recommendation by the Code that there should be separate assessments for each of the Board committees and of the contribution of the Chairman to the Board's effectiveness.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

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ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Directors have separate and independent access to the Management, the Company Secretary, the Group's records and information, all of the Board's and Board committees' previous meeting minutes. Quarterly management accounts are tabled at each Board and AC meeting so as to enable the Board to carry out its duties. Directors may also liaise with key management executives and other employees to seek additional information if required. The Executive Directors and the Chief Operating Officer will highlight the business conditions and outlook of the Group when the Board meets.

Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of the meeting and information on major operational, financial and corporate issues. In respect of budgets, any material variances between the projections and actual results are disclosed and explained during Board meetings.

Should any of the Directors require professional advice in furtherance of their duties, the Board will appoint a professional advisor selected by the Company or the individual Director to render the advice. The cost of such services will be borne by the Company.

The Company Secretary or his representative(s) attends all Board and Board Committee meetings. He prepares the agenda and also writes up the minutes of the Board and Board Committee meetings. Together with the Management of the Company, the Company Secretary is responsible for ensuring that appropriate board procedures are followed and that the requirements of the Companies Act and the Catalist Rules are complied with. All Directors have separate and independent access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is subject to the approval of the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

Level and Mix of Remuneration

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Disclosure of Remuneration

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.*

Remuneration Committee

The Remuneration Committee ("RC") comprises the following members:

Chairman:	Mr Chan Ka Kin Kevin	(Non-executive & Independent)
Members:	Mr Lim Han Siang Peter	(Non-executive & Independent)
	Mr Wong Joo Wan	(Non-executive & Independent)

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The RC shall:-

- determine and agree with the Board as to the framework or broad policy for the remuneration of the Board members and to determine specific remuneration packages for the Executive Directors, the Chief Operating Officer and the key management executives;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the Group provides the appropriate incentives to encourage enhanced performance and that each of the Board, the Chief Operating Officer and the key management executives are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- determine performance targets for any performance-related remuneration schemes operated by the Group, taking into account remuneration and employment conditions within the industry and in comparable companies;
- within the terms of the agreed policy, determine the individual remuneration package of each Executive Director and the Chief Operating Officer including, where appropriate, allowances, bonuses, benefits in kind, incentive payments and share options;
- determine the policy for and scope of service agreements for the Executive Directors and the Chief Operating Officer including compensation commitments, fixing the appointment period for the Executive Directors and providing for consequences in the event of early termination; and
- determine whether the Directors and key management executives should be eligible for benefits under the long-term incentive schemes.

The objective of the RC is to facilitate appropriateness, transparency and accountability to shareholders on issues relating to remuneration of the Executive Directors, the Chief Operating Officer and key management executives of the Company.

The Board considers that the members of the RC, who each have years of experience in senior management positions and/or on the boards of various listed companies, collectively have strong management experience and expertise on remuneration issues. If necessary, the RC members may seek expert advice inside and/or outside the Company on the remuneration of the Executive Directors, the Chief Operating Officer and the key management executives.

Procedures for Setting Remuneration

The Company has implemented a formal and transparent process in relation to determining the remuneration of the key management executives and the remuneration packages of individual Directors. The RC reviews and recommends to the Board a general framework of remuneration and specific remuneration packages for the Board and key management executives, covering all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board. Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him.

Remuneration Policies

The Company's policy is to set a level of remuneration that is appropriate to attract, retain and motivate employees. In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company.

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Directors' and Key Management Executives' Remuneration

Non-executive and Independent Directors are paid yearly Directors' fees based broadly on the recommended guidelines from the Singapore Institute of Directors and taking into account the factors such as effort and time spent and the increasingly onerous responsibilities of the Directors. These fees are subject to shareholders' approval at the AGM. Other than the Directors' fees, the Independent Directors do not receive any other remuneration from the Company and do not have any service agreements with the Company.

The current Executive Directors, the Chief Operating Officer and the previous Chief Executive Officer were paid based on their individual service agreements with the Company which are subject to review by the RC. The RC is of the opinion that there are no excessive or onerous removal clauses in these service agreements.

Under the terms of their service agreements, the remuneration for the former Chief Executive Officer, the current Executive Directors and the Chief Operating Officer comprise a basic salary component and a variable component, namely the annual bonus.

The Group does not have any short-term or long-term incentive schemes for the Executive Directors and key management executives. The key management executives' remuneration package comprises basic salary, allowances, commission and bonuses depending on their roles and responsibilities in the organisation.

Details of the Directors' and key management executives' remuneration are set out below.

Remuneration disclosure for the financial year from 1 April 2016 to 31 March 2017

Remuneration of Directors for the financial period under review

Remuneration band and name of Directors	Fixed Salary (S\$)	Allowance (S\$)	Commission / Incentives (S\$)	Bonus (S\$)	Directors' fee ⁽¹⁾ (S\$)
Pengiran Muda Abdul Qawi					75,000
Wong Gloria ⁽²⁾	151,995	–	–	9,000	–
Lam Chi Yun ⁽²⁾	152,199	–	–	9,000	–
Lam Kwan ⁽²⁾	152,126	–	–	9,000	–
Lim Han Siang Peter ⁽³⁾	–	–	–	–	28,000
Chan Ka Kin Kevin ⁽³⁾	–	–	–	–	25,667
Wong Joo Wan	–	–	–	–	56,250
Lim Jit Siew ⁽⁴⁾	–	–	–	–	40,833
Nicholas Jeyaraj s/o Narayanan ⁽⁴⁾	–	–	–	–	37,917

⁽¹⁾ The remuneration in the form of Directors' fee is subject to the approval of shareholders at the forthcoming Annual General Meeting. Total Directors' fees are pro-rated based on tenure of the Directors' appointment to the Board.

⁽²⁾ Ms Wong Gloria, Mr Lam Chi Yun and Ms Lam Kwan were appointed as Executive Directors on 1 August 2016.

⁽³⁾ Mr Lim Han Siang Peter and Mr Chan Ka Kin Kevin were appointed as Independent Non-Executive Directors on 7 September 2016.

⁽⁴⁾ Mr Lim Jit Siew and Mr Nicholas Jeyaraj s/o Narayanan resigned as Independent Non-Executive Directors on 28 October 2016.

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Remuneration of Key Management Executives who are not Directors for the financial period under review

Remuneration band and name of key management executives	Fixed Salary (%)	Allowance (%)	Commission / Incentives (%)	Bonus (%)	Benefit in kind (%)
\$500,000 to below \$750,000					
Quek Chek Lan ⁽²⁾	100	–	–	–	–
Below \$250,000					
Albert Tan Sai Beng ⁽¹⁾	88	6	–	5	–
Teh Teong Lay ⁽³⁾	94	2	–	4	–
Lee Wan Cha, Adeline	87	1	–	12	–
Koh Wee Ann, Sam ⁽⁴⁾	41	22	–	37	–
Ananthan Muniandy	84	6	–	11	–
Yip Man Chung, Gordon ⁽⁵⁾	93	7	–	–	–
Ngo Yu Peng, Felicia	82	1	–	17	–

(1) Mr Albert Tan Sai Beng was appointed Chief Operating Officer for the Door Business by the Board on 7 September 2016.

(2) Mr Quek Chek Lan resigned as Chief Executive Officer on 30 September 2016.

(3) Mr Teh Teong Lay resigned as Group Financial Controller on 31 May 2017.

(4) Mr Koh Wee Ann, Sam resigned as Chief Operating Officer for the Group's Doors Business on 28 February 2017.

(5) Mr Yip Man Chung, Gordon joined the Group's Door Business in China on 1 December 2016 as Assistant General Manager.

Remuneration of employees who are immediate family members of a Director

There were no employees who are immediate family members of the Directors whose salary exceeds S\$50,000 in the Group's employment during the financial year under review.

The Company does not have any share or share option schemes in place for employees.

The Group does not have long-term incentive schemes for the Executive Directors and key management executives. There are no termination, retirement, and post-employment benefits that may be granted to the Directors and key management executives. The key management executives' remuneration packages in the Group comprise of fixed salary, allowances, commission and bonuses depending on their role and responsibilities in the Group. Yearly bonuses declared are based on financial and operational performance of their respective subsidiaries and individual performances.

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In line with the Company's disclosure obligations under the Catalist Rules, the Board's policy is that shareholders shall be informed of all major developments relating to the Group. Information is communicated to shareholders on a timely basis through SGXNET and the press. The Board has taken adequate steps to ensure the Company's compliance with legislative and regulatory requirements, including requirements under the Catalist Rules, for instance, by establishing written policies where appropriate.

In line with the requirements under the Catalist Rules and with reference to Guideline 11.3 of the Code, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the Group Financial Controller during the relevant period have provided assurance to the Board (i) that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances and (ii) regarding the effectiveness of the Group's risk management and internal control systems.

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In presenting the annual financial statements and periodic financial results announcement to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects.

Any significant variances for the comparative period are explained in the review pages of the announcement for Revenue, Income Statement, Balance Sheet and Cash Flow Statement. The Group also provides shareholders with its prospects for the following twelve-month period.

The Management provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis such that it may effectively discharge its duties.

RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board is aware of the risk profiles which may adversely affect the Company's financial performance, financial position and cash flows in the event that any of these risk factors develop into actual events. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The AC and Management review the Group's businesses and operational activities on an ongoing basis to identify areas of significant risks. The AC and Executive Directors are responsible for monitoring the Group's risk management framework.

The financial risks management objectives and policies of the Group are set out in Note 30 of the Financial Statements.

The internal and external auditors also assist in the risk management process by identifying areas of concern that are uncovered through financial/audit checks. The key risks facing the Group have been identified and appropriate measures are in place to mitigate such risks.

Internal Audit

The Board has engaged BDO LLP as the internal auditor ("IA") to carry out the Company's internal audit function for FY2017. The IA reports directly to the AC Chairman and administratively to the Group Financial Controller. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the IA is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

The specific scope of work carried out by the IA for FY2017 covers the follow up review of the lapses and weaknesses in the Company's internal control and corporate governance practices raised by PricewaterhouseCoopers LLP ("PWC") in its findings published in the Group's announcement dated 10 November 2015 and internal audit on the Company's subsidiaries.

The AC has set in place internal controls such as approving limits for cheque signatories and the authority of the Chief Operating Officer and has relied on the assistance of the External Auditor, Baker Tilly TFW LLP (in the course of its statutory audit) and IA (during its internal audit on the Group) to ensure compliance.

The current Board has received assurance from the Executive Directors and the Group Financial Controller during the relevant period that the financial records of the Group for the financial year ended 31 March 2017 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. In relation to the effectiveness of the Company's risk management and internal control systems, the Board has received assurance from the Executive Directors and the

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abovementioned Group Financial Controller that the Group's risk management and internal controls system (addressing financial, operational, compliance and information technology risks) and risk management system are adequate and effective for the period commencing from 1 April 2016 to 31 March 2017.

Based on the internal controls (addressing financial, operational, compliance and information technology risks) established and maintained by the Group, work performed by the internal and external auditors, information provided to the AC and the Board and reviews performed by the Management, the AC and the Board at least annually, the Board with the concurrence of the AC is of the opinion that the Group's internal controls (addressing financial, operations, compliance and information technology risks) and risk management system were adequate and effective as at 31 March 2017.

The system of internal controls and risk management established by the Group provides reasonable assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") comprises the following members:

Chairman:	Mr Lim Han Siang Peter	(Non-Executive & Independent)
Members:	Mr Wong Joo Wan	(Non-Executive & Independent)
	Mr Chan Ka Kin Kevin	(Non-Executive & Independent)

The AC comprises all Non-Executive and Independent Directors. The members of the AC, collectively, have the relevant expertise or experience in financial management to discharge the AC's responsibilities.

The AC's primary function is to provide assistance to the Board in fulfilling its responsibility relating to corporate accounting and auditing, reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's system of internal controls regarding finance, accounting, legal compliance and ethics established by the Management and the Board.

The AC's statutory functions are:-

- to review with the internal and external auditors, their audit plans, their evaluation of the Group's system of internal controls and their audit reports;
- to review the co-operation / assistance given by the Group's key management executives to the internal and external auditors;
- to review the scope and results of the internal audit procedures;
- to review the balance sheet and statement of comprehensive income of the Company and the consolidated balance sheet and statement of comprehensive income and to submit them to the Board; and
- to nominate and review the appointment or re-appointment of the external auditor.

The AC also has full access to both the internal and external auditors and has reviewed the Group's system of internal controls including operational policies established by the Management.

The AC has the authority to investigate any matter within its terms of reference. It has full access to, and the cooperation of the Management and full discretion to invite Executive Directors and/or key management executives to attend its meetings.

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The AC has reviewed the scope and quality of work of the external auditor, Baker Tilly TFW LLP, after taking into account the resources and experience of the audit engagement partner assigned to the audit, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned for the audit.

The AC meets with the external and internal auditors, without the presence of Management, at least once a year to discuss the reasonableness of the financial reporting process, the weaknesses in internal controls raised during the course of statutory audit, and the significant comments and recommendations by the auditors. The AC has met with the external and internal auditors without the presence of the Management for FY2017.

The AC is kept abreast by the Management and the external auditor of changes to accounting standards. Prior to commencement of the statutory audit, the external auditor had presented their audit planning memorandum to the AC in which they had highlighted recent changes in accounting standards and the potential impact on the Group's financial statements.

External Auditors

The AC reviews the independence and objectivity of the external auditor on an annual basis. During the financial year under review, the AC has reviewed the independence of Baker Tilly TFW LLP as well as the fees paid to them. There was no non-audit related work carried out by the external auditor in the current financial year, and accordingly, no non-audit fees were paid to Baker Tilly TFW LLP. The AC is satisfied with the independence of the external auditor and has recommended the re-appointment of the external auditor at the AGM. According to Rule 1204(6)(a) of the Catalist Rules, the audit fee to be paid to the external auditor for the year under review is reflected in Note 7 of the Financial Statements.

The Group has appointed the same auditing firm and its associates to audit all its entities for FY2017.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of the auditors.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, the Company endeavours to maintain constant and effective communications with shareholders through timely and comprehensive announcements.

The Company disseminates its latest corporate news, strategies, announcements and notices of meetings promptly through SGXNET. In addition, shareholders are informed of general meetings through annual reports / circulars sent to them and notices published on the newspapers. The Group's corporate governance practices are disclosed in the annual reports of the Company to enable the shareholders to have a better understanding of the Group's stewardship role.

The Constitution allows each shareholder to appoint up to two (2) proxies to attend general meetings. In addition, the Companies Act also allows corporations which provide nominee or custodial services to appoint more than two proxies such that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company takes a serious view of maintaining full and adequate disclosure in a timely manner of material events and matters concerning its business. All the necessary disclosures are made through public announcements, press releases and annual reports to shareholders.

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The Company maintains an updated corporate website to keep shareholders abreast of the Company's developments and to serve as a platform to gather shareholders' feedback. The Company may conduct media interviews or briefings sessions to engage shareholders when opportunities present themselves.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts.

Please refer to the section entitled "Dividend Policy" below.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Company welcomes active participation from shareholders at general meetings. Shareholders of the Company are invited to attend the shareholders' meetings through notices in the annual report and circulars sent to them prior to the meetings, notices advertised in the Business Times and notices announced through SGXNET.

To facilitate voting by shareholders, the Constitution allows shareholders to vote by proxy. Proxy forms can be sent to the Company by mail. Each issue or matter requiring shareholders' approval is tabled in the form of separate and distinct resolutions at general meetings. The Board had attended the meetings for FY2017 to address any queries raised by shareholders and had called upon its professional service providers where it deemed appropriate. All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their request.

Resolutions are passed at the general meetings by way of poll. Results are announced via SGXNET within the same day of the meeting.

DIVIDEND POLICY

The Company does not have a fixed dividend policy at present. The Board, in determining a dividend proposal, will take into consideration the Group's profits, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. In view of its cumulative financial performance over the years, the Board is not proposing the payment of dividends for the year.

DEALINGS IN THE COMPANY'S SECURITIES

The Group has adopted an internal code to provide guidance to its Directors and employees with regard to dealings in the Company's securities. Guidance will be issued to inform Directors and employees that:

- (a) one should not deal in the Company's securities on short-term considerations; and
- (b) one should not deal in the Company's securities during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has established procedures to ensure that all IPTs are reported in a timely manner to the AC and that these transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

There have been no IPTs equal to or exceeding S\$100,000 in value for the financial year ended 31 March 2017 and the Group does not have a shareholders' mandate for IPTs.

REPORT ON CORPORATE GOVERNANCE

MATERIAL CONTRACTS

No material contracts have been entered into by the Group involving the interests of the Chairman, Executive Directors, or controlling shareholders as at the end of the financial year or since the end of such financial year.

USE OF PROCEEDS

The Company raised a total sum of S\$48.30 million (net) through the Company's 2014 Rights cum Warrants Issue. The Company had made regular announcements on 14 November 2016, 13 February 2017 and 30 May 2017 regarding the use of such proceeds. The Company will make further announcements via SGXNET as and when the remaining net proceeds from the Rights cum Warrants Issue are materially disbursed.

The utilisation of proceeds from the Company's 2014 Rights cum Warrants Issue as at 6 July 2017 is as follows:

Use of proceeds	Revised allocation	Balance brought forward	Utilisation	Balance
Funding acquisition opportunities	S\$32.84 million	S\$10.52million	S\$8.90 million	S\$1.62 million
Working Capital	S\$9.66 million	S\$6.92 million	S\$6.92 million	–
Funding for the purchase or construction of premises or factory for operational and manufacturing use	S\$5.8 million	–	–	–
Total	S\$48.30 million	S\$17.44million	S\$15.82million	S\$1.62 million

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and certain procedures which provide employees and other persons such as vendors, customers and other stakeholders with accessible channels to the AC for reporting in confidence suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. The policy undergoes periodic review to ensure its continual effectiveness, and may only be amended upon approval by the AC. Employees and external parties can lodge their report, if any, via email to the AC Chairman at whistleblowing@klw.com.sg.

CATALIST SPONSOR

Pursuant to Rule 1204(21) of the Catalist Rules, the Company wishes to disclose that there were no non-sponsor fees paid to its sponsor, R & T Corporate Services Pte. Ltd. for FY2017.

TREASURY SHARES

There are no treasury shares held by the Company at the end of the financial year from 1 April 2016 to 31 March 2017.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of KLW Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2017.

Opinion of the directors

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 38 to 102, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Financial Reporting Standards in Singapore; and
- (ii) 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.

Directors

The directors of the Company in office at the date of this statement are:

Pengiran Muda Abdul Qawi	(Non-Executive Chairman)
Wong Gloria	(Executive Director) (Appointed on 1 August 2016)
Lam Chi Yun	(Executive Director) (Appointed on 1 August 2016)
Lam Kwan	(Executive Director) (Appointed on 1 August 2016)
Wong Joo Wan	(Independent Director)
Lim Han Siang Peter	(Independent Director) (Appointed on 7 September 2016)
Chan Ka Kin Kevin	(Independent Director) (Appointed on 7 September 2016)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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 the share options as disclosed in this statement.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of director	Shareholdings registered in the name of the director		Shareholdings in which a director is deemed to have an interest	
	At 1.4.2016	At 31.3.2017	At 1.4.2016	At 31.3.2017
<i>The Company Ordinary shares</i>				
Pengiran Muda Abdul Qawi	–	–	500,000,000	500,000,000
<i>Options to subscribe for ordinary shares</i>				
Pengiran Muda Abdul Qawi	2,000,000,000	–	–	–

The directors' interest in the ordinary shares of the Company as at 21 April 2017 were the same as those as at 31 March 2017.

DIRECTORS' STATEMENT

Share options

Warrant

On 3 July 2014, a rights issue of 2,440,278,158 new shares at an issue price of \$0.02 for each rights share was made by the Company to entitled shareholders on the basis of one rights share with one free detachable warrant for every one existing ordinary shares held. Each warrant carries the rights to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.07. The warrants expired on 30 June 2017. As at 31 March 2017 and 31 March 2016, no warrants were exercised and converted into ordinary shares of the Company.

Options to subscribe for ordinary shares

The Company had granted a call option to Pengiran Muda Abdul Qawi ("Subscriber"), and the Subscriber had granted to the Company a put option, for the subscription by the Subscriber of up to 2,000,000,000 new ordinary shares in the capital of the Company at an issue price of \$0.02 ("Option Shares") pursuant to the conditional subscription and option subscription agreement dated 15 November 2013 entered into between the Subscriber and the Company.

Pursuant to the terms of the aforementioned agreement, each of the put and call options is exercisable at any time during the Call Option Period or Put Option Period (as the case may be) to subscribe for some or all of the Option Shares subject to a minimum subscription of at least 50 million Option Shares and in multiple of 1 million under each exercise of the Option. The call option and put option under the aforementioned agreement do not grant the Subscriber any right to participate by virtue of such options in any share issue in any other company.

On 9 June 2016 and 14 June 2016, the Company had announced that it did not receive any exercise notice from the subscriber and hence the call option had expired on 10 June 2016 and lapsed, and the period for the Company to exercise the put option has commenced on 11 June 2016.

On 15 November 2016, the Company had announced that Put Option notice had been served and subsequently a letter dated 16 November 2016 had been received by the Subscriber's lawyer stating that the Company was not entitled to exercise the Put Option due to breaches of condition as stipulated in the subscription agreement. On 9 December 2016, the Company announced that, after taking into account the legal advice as well as after due deliberation and consideration, the Company decided not to pursue the completion of Put Option as it was not in the Company's best interest.

During the financial year, no option to take up unissued shares of the Company or its subsidiary corporations was granted.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

Except as disclosed, there were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit committee ("AC")

The members of the AC at the date of this statement are as follows:

Lim Han Siang Peter	–	Chairman
Wong Joo Wan	–	Member
Chan Ka Kin Kevin	–	Member

The AC comprises all non-executive and independent Directors. The members of the AC, collectively, have the expertise or experience in financial management to discharge the AC's responsibilities.

The AC's primary function is to provide assistance to the Board of Directors (the "Board") in fulfilling its responsibility relating to corporate accounting and auditing, reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's system of internal controls regarding finance, accounting, legal compliance and ethnics established by the Management and the Board.

DIRECTORS' STATEMENT

Audit committee ("AC") (cont'd)

The AC's functions include:

- to review with the internal and external auditors, their audit plans, their evaluation of the Group's system of internal controls and their audit reports;
- to review the co-operation/assistance given by the Group's officers to the internal and external auditors;
- to review the scope and results of the internal audit procedures;
- to review the balance sheet and profit and loss account of the Company and the consolidated financial statements and to submit them to the Board;
- to nominate and review the appointment or re-appointment of external auditor.

The AC also has full access to both the internal and external auditors and reviewed the Group's system of internal control including operational policies established by the Management.

The AC has the authority to investigate any matter within its terms of reference. It has full access to, and the cooperation of the Management and full discretion to invite Directors and/or executive officers to attend its meeting.

The AC has reviewed the scope and quality of work of the external auditor Baker Tilly TFW LLP, after taking into account the resources and experience of the audit engagement partner assigned to the audit, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by for the audit.

The AC also reviewed the independence and objectivity of the independent auditor annually. During the financial year under review, the AC has reviewed the independence of Baker Tilly TFW LLP as well as reviewing the non-audit services provided and the fees paid to them. There was no non-audit related work carried out by the external auditor in the current financial year, and accordingly, no non-audit fees were paid to Baker Tilly TFW LLP. The AC is satisfied with their independence; hence is pleased to recommend to the Board, the nomination of Baker Tilly TFW LLP for the re-appointment as the independent auditor of the Company at the forthcoming Annual General Meeting.

In appointing the external auditor for the Company and its subsidiary corporations, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Wong Gloria
Director

Lam Chi Yun
Director

6 July 2017

INDEPENDENT AUDITOR'S REPORT

To the members of KLV Holdings Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of KLV Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 38 to 102, which comprise the balance sheets of the Group and of the Company as at 31 March 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and balance sheet 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 positions of the Group and of the Company as at 31 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

Corresponding figures

Our independent auditor's report dated 12 July 2016 on the financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2016 contained a qualified opinion, among others, on the following matters related to opening balances of the previous financial year.

We, together with the component auditors, were appointed as auditors of the Company and its subsidiaries subsequent to the balance sheet date of the previous financial year. We and certain component auditors were not given access to the audit work papers of the predecessor auditors, and were unable to satisfy ourselves by alternative means concerning:

- (i) the quantities of work-in-progress and finished goods amounting to \$2,907,724 in aggregate that were held by a subsidiary as at 31 March 2015; and
- (ii) the validity, completeness and accuracy of contract work-in-progress, including recognised profits and/or recognised losses on uncompleted contract work, that entered into the determination of amounts due from and to customers for contract work amounting to \$3,333,528 and \$250,720 respectively of a subsidiary as at 31 March 2015.

Since these opening balances as at 1 April 2015 entered into the determination of the financial performance and cash flows for the financial year ended 31 March 2016, we were unable to determine whether adjustments might have been necessary in respect of the revenue, cost of sales, tax expense and profit for the year reported in the consolidated statement of comprehensive income and the cash flows from operating activities reported in the consolidated statement of cash flows for the financial year ended 31 March 2016.

In addition, our opinion on the previous financial year's financial statements of the Group was also qualified because of the matter related to loans written off during the previous financial year as detailed below.

As disclosed in Note 5 to the financial statements, the Group had written off loans due from its former subsidiaries, Teeni Enterprise Pte Ltd and Teeni Universal Pte Ltd totalling \$876,013 during the financial year ended 31 March 2016. These loans were waived in the financial year ended 31 March 2015 by the then Managing Director of the Company. However, the waivers were not recorded in the financial statements for the financial year ended 31 March 2015 as the waiver letters signed by the then Managing Director only came to the attention of the management during the financial year ended 31 March 2016. The Board of Directors had ratified the decision to write off the loans in the financial year ended 31 March 2016. Accordingly, the management recorded the write-off of the loans in the profit or loss for the financial year ended 31 March 2016. Had the Group recorded such write-off in 2015, the profit for the financial year ended 31 March 2016 would have increased by \$876,013.

INDEPENDENT AUDITOR'S REPORT

To the members of KLV Holdings Limited

Report on the Audit of the Financial Statements (cont'd)

Basis for Qualified Opinion (cont'd)

Our opinion on the current year's financial statements of the Group is modified because of the possible effects of the above matters related to the opening balances of the previous financial year and loans written off during the previous financial year on the comparability of the current year's figures and corresponding figures.

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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, 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. As described in the *Basis for Qualified Opinion* section of our report, our opinion is qualified in respect of the possible effects on the comparability of the current year's figures and corresponding figures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Emphasis of Matters

We draw your attention to Note 33 to the financial statements which describes the uncertainty in relation to ongoing legal claims and counterclaims. In respect of the counterclaims filed against the Company, the directors of the Company, based on legal advice obtained, are of the view that, there are no liabilities required to be recognised in the accompanying financial statements for the financial year ended 31 March 2017.

We further draw your attention to Note 34 to the financial statements which discloses the ongoing investigation by the Commercial Affairs Department of Singapore Police Force. The directors of the Company are of the view that, the investigation should not have material financial impact on the accompanying financial statements for the financial year ended 31 March 2017.

Our opinion is not further modified in respect of these matters.

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 *Basis for Qualified Opinion* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the members of KLV Holdings Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Revenue Recognition

(Refer to Notes 2(j), 2(r), 3 and 4 to the financial statements)

The Group recognised revenue of \$45,648,033 for the financial year. We considered revenue recognition to be a key audit matter as it requires our significant attention in audit, taking into account that this is a key significant risk of audit. Sales of goods are recognised when the risks and rewards of ownership of the goods have been passed to the customers. Sales contracts for the Group's certain projects in the door business segment comprise a combination of delivery of goods and rendering of installation services. Such contracts involve separately identifiable components that are recognised separately based on the relative selling prices as determined by management. In addition, the Group recognises contract revenue relating to installation services by reference to the stage of completion of the contract activities at the balance sheet date. Significant assumptions are required to estimate the total contract costs and the recoverable variation work.

Our procedures to address the key audit matter

With involvement of our component auditors, we assessed the appropriateness of Group's accounting policies over revenue recognition. In relation to the revenue from sales of goods, we evaluated the design of key internal controls over the sales cycle and tested the operating effectiveness of selected key internal controls. We also performed substantive procedures, which include tests of details on a sample basis, over the occurrence, accuracy and cut-off of the sales recorded.

Our audit procedures in relation to revenue recognition of contract work relating to installation services, among others, included:

- review of the contractual terms and the management's process in the allocation of revenue between the delivery of goods and rendering of installation services;
- review of the work status of the contract work, along with discussions with management and checking that contract work revenue was recognised according to the stage of completion of the contract activities by reference to the units of work performed at the balance sheet date (completion of a physical proportion of the contract work);
- discussion with management regarding their assessment of estimated total contract costs and potential exposures to liquidated damages or rectification claims, and whether there are significant recoverable variation works that have yet to be agreed;
- performance of analytical procedures to compare revenue and gross profit margin with those reported in prior periods for identifying significant fluctuations, and obtained explanations from management about such fluctuations; and
- site visits of certain project sites around the balance sheet date to compare the stage of completion by physical inspection.

INDEPENDENT AUDITOR'S REPORT

To the members of KLV Holdings Limited

Report on the Audit of the Financial Statements (cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the members of KLV Holdings Limited

Report on the Audit of the Financial Statements (cont'd)

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

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.

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 Khor Boon Hong.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

6 July 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2017

	Note	Group	
		2017 \$	2016 \$
Revenue	4	45,648,033	54,247,267
Cost of sales		(29,953,891)	(37,322,393)
Gross Profit		15,694,142	16,924,874
Other income	5	10,123,132	1,551,306
Selling and distribution expenses		(1,012,682)	(1,128,945)
Administrative expenses		(10,176,192)	(9,944,000)
Other expenses	5	–	(1,297,622)
Finance costs	6	(1,240,901)	(1,277,513)
Profit before tax	7	13,387,499	4,828,100
Tax expense	9	(3,451,640)	(1,079,560)
Profit for the financial year		9,935,859	3,748,540
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation and other comprehensive income for the year, net of tax		407,506	(1,099,518)
Total comprehensive income for the financial year		10,343,365	2,649,022
Profit attributable to:			
Equity holders of the Company		9,935,859	3,748,540
Total comprehensive income attributable to:			
Equity holders of the Company		10,343,365	2,649,022
Earnings per share (cents per share)			
	10		
- Basic		0.185	0.070
- Diluted		0.185	0.070

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

BALANCE SHEETS

At 31 March 2017

Note	Group		Company		
	2017	2016	2017	2016	
	\$	\$	\$	\$	
Non-current assets					
Property, plant and equipment	11	21,168,860	20,134,380	2,564,787	40,615
Investment property	12	–	26,470,925	–	–
Investments in subsidiaries	13	–	–	28,819,818	28,819,808
Available-for-sale financial assets	14	461	2,767	–	–
Prepayments, trade and other receivables	16	427,870	15,254	–	–
Total non-current assets		21,597,191	46,623,326	31,384,605	28,860,423
Current assets					
Development property	15	14,208,432	13,690,554	–	–
Prepayments, trade and other receivables	16	16,051,892	10,627,012	29,833,762	22,837,621
Inventories	17	7,155,290	5,968,879	–	–
Cash and cash equivalents	18	28,079,850	35,945,714	17,525,308	28,492,987
		65,495,464	66,232,159	47,359,070	51,330,608
Property held-for-sale	19	36,594,000	–	–	–
Total current assets		102,089,464	66,232,159	47,359,070	51,330,608
Total assets		123,686,655	112,855,485	78,743,675	80,191,031
Non-current liabilities					
Borrowings	22	3,327,230	17,844,866	–	–
Deferred tax liabilities	23	4,002,860	1,072,555	–	–
Total non-current liabilities		7,330,090	18,917,421	–	–
Current liabilities					
Trade and other payables	20	5,623,628	7,822,868	480,095	654,433
Shares with preference rights	21	4,740,000	5,160,000	4,740,000	5,160,000
Borrowings	22	15,961,846	986,984	–	–
Income tax payable		700,092	980,578	–	–
Total current liabilities		27,025,566	14,950,430	5,220,095	5,814,433
Total liabilities		34,355,656	33,867,851	5,220,095	5,814,433
Net assets		89,330,999	78,987,634	73,523,580	74,376,598
Equity					
Share capital	24	103,170,633	103,170,633	103,170,633	103,170,633
Revaluation and other reserves	25	4,922,229	4,514,723	3,286,752	3,286,752
Accumulated losses		(18,761,863)	(28,697,722)	(32,933,805)	(32,080,787)
Total equity		89,330,999	78,987,634	73,523,580	74,376,598

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

	← Attributable to equity holders of the Company →					Total equity \$
	Share capital \$	Asset revaluation reserve \$	Foreign currency translation reserve \$	Warrant reserve \$	Accumulated losses \$	
Group						
Balance at 1 April 2015	103,170,633	3,973,109	(1,645,620)	3,286,752	(32,446,262)	76,338,612
Profit for the financial year	–	–	–	–	3,748,540	3,748,540
Other comprehensive loss	–	–	(1,099,518)	–	–	(1,099,518)
Total comprehensive income/ (loss) for the year	–	–	(1,099,518)	–	3,748,540	2,649,022
Balance at 31 March 2016	103,170,633	3,973,109	(2,745,138)	3,286,752	(28,697,722)	78,987,634
Profit for the financial year	–	–	–	–	9,935,859	9,935,859
Other comprehensive income	–	–	407,506	–	–	407,506
Total comprehensive income for the year	–	–	407,506	–	9,935,859	10,343,365
Balance at 31 March 2017	103,170,633	3,973,109	(2,337,632)	3,286,752	(18,761,863)	89,330,999

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

	Share capital \$	Warrant reserve \$	Accumulated losses \$	Total equity \$
Company				
Balance at 1 April 2015	103,170,633	3,286,752	(20,926,491)	85,530,894
Loss and total comprehensive loss for the year	–	–	(11,154,296)	(11,154,296)
Balance at 31 March 2016	103,170,633	3,286,752	(32,080,787)	74,376,598
Loss and total comprehensive loss for the year	–	–	(853,018)	(853,018)
Balance at 31 March 2017	103,170,633	3,286,752	(32,933,805)	73,523,580

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Group	
	2017	2016
	\$	\$
Cash flows from operating activities		
Profit before tax	13,387,499	4,828,100
Adjustments for:		
Fair value gain on investment property	(8,848,240)	(612,967)
Depreciation of property, plant and equipment	1,042,960	807,322
(Gain)/loss on disposal of property, plant and equipment	(20,903)	5,346
Interest expense	1,240,901	1,277,513
Interest income	(260,117)	(423,546)
Impairment loss on property, plant and equipment	–	416,263
Impairment loss on available-for-sale financial assets	2,306	–
Loans due from former subsidiaries written off	–	876,013
Operating profit before working capital changes	6,544,406	7,174,044
Inventories	(1,534,873)	2,235,804
Trade and other receivables	2,915,255	211,432
Trade and other payables	(2,086,099)	4,084,902
Development property	–	(12,206,300)
Currency translation adjustments	(211,532)	(716,698)
Cash generated from operations	5,627,157	783,184
Interest paid	–	(72,793)
Interest income received	260,117	423,546
Income taxes paid	(773,501)	(520,996)
Net cash generated from operating activities	5,113,773	612,941
Cash flows from investing activities		
Other receivables		
- Due from its former subsidiaries	–	20,000
- Commitment fees	–	9,000,000
Deposit for investment (Note 16(D.1))	(8,983,924)	–
Proceeds from disposal of property, plant and equipment	29,318	117,969
Purchase of property, plant and equipment (Note A)	(2,602,546)	(2,681,596)
Net cash (used in)/generated from investing activities	(11,557,152)	6,456,373

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Group	
	2017	2016
	\$	\$
Cash flows from financing activities		
Proceeds from borrowings	2,229,397	–
Repayment of borrowings	(2,329,296)	(954,815)
Interest paid	(1,240,901)	(1,204,720)
Net cash used in financing activities	(1,340,800)	(2,159,535)
Net (decrease)/increase in cash and cash equivalents	(7,784,179)	4,909,779
Cash and cash equivalents at the beginning of the financial year	35,945,714	31,246,852
Effect of exchange rate changes on cash and cash equivalents	(81,685)	(210,917)
Cash and cash equivalents at the end of the financial year (Note 18)	28,079,850	35,945,714

Note A

For the purpose of the statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised of:

	Group	
	2017	2016
	\$	\$
Property, plant and equipment purchased during the financial year (Note 11)	2,830,398	3,048,751
Less/Add: Deposit paid to purchase office unit (Note 16)	(227,852)	227,852
Add: Prepayment to supplier for purchase of certain plant and equipment	–	(595,007)
Cash payment to acquire property, plant and equipment	2,602,546	2,681,596

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

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

1. Corporate information

KLW Holdings Limited (Co. Reg. No. 199504141D) (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office of the Company is located at 39 Kaki Bukit Industrial Terrace, Singapore 416119 and its principal place of business is located at 2 Kallang Avenue, CT Hub #07-03/04, Singapore 339407.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are presented in Singapore dollar (“\$”), which is the functional currency of the Company. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore (“FRSs”) and under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and current bank borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) that are relevant to its operations and effective for the current financial year. The adoption of these new/ revised FRSs and INT FRSs did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 March 2017 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed below.

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 March 2019. The Group is currently performing a detailed assessment of the impact and quantifying the transition adjustments on its financial statements.

FRS 109 Financial Instruments

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

FRS 116 Leases

FRS 116 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of FRS 116 and plans to adopt the standard on the required effective date.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 April 2018.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition 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 and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific FRS.

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Foreign currency

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 (the "functional currency").

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations which are included in the foreign currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(d) Foreign currency (cont'd)

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 Group's presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
- (b) 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
- (c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(e) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any 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. Cost also includes borrowing costs, according to the accounting policy for borrowing costs as disclosed in Note 2(n). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, 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. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for leasehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(e) Property, plant and equipment (cont'd)

Leasehold land and buildings are subsequently stated at revalued amount less accumulated depreciation and any accumulated impairment loss. Leasehold land and buildings are revalued every five years or at shorter intervals, if appropriate and whenever their carrying amounts are likely to differ materially from their revalued amounts. Their revalued amounts are determined by an independent professional valuer.

Any revaluation increase arising on the revaluation of such leasehold land and buildings is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit arising on the revaluation of such leasehold land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to accumulated losses on retirement or disposal of the asset.

Construction in progress includes all cost of construction and other direct costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress is not depreciated. Depreciation of other property, plant and equipment is calculated on a straight-line basis to allocate the depreciable amount of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold land and buildings	–	40 to 49 years (over lease term)
Land use rights	–	50 years (over lease term)
Plant and equipment	–	5 to 10 years
Motor vehicles	–	4 to 10 years
Renovation	–	3 to 5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised; any amount in asset revaluation reserve relating to that asset is transferred to accumulated losses directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(f) Investment property

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purpose, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss in the year of retirement or disposal within "Other income (expenses)".

(g) Development property

Development properties are properties held or developed for sale in the ordinary course of business. Development properties that are unsold are measured at lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Net realisable value represents the estimated selling price less cost to complete and costs to be incurred in selling the property.

(h) Impairment of non-financial assets

At each balance sheet date, the Group assesses the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(h) Impairment of non-financial assets (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, comprise purchase costs and other costs incurred in bringing the inventories to their present location and condition, are accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

(j) Contract work-in-progress

When the outcome of a contract work 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 contract work cannot be estimated reliably, contract revenue is recognised to the extent of contract costs 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.

The stage of completion is measured by reference to the units of work performed at the balance sheet date (completion of a physical proportion of the contract work). Costs incurred during the financial year on a contract are shown as contract work-in-progress 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. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(k) Financial assets

Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets are loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments, VAT receivables and advance payments to suppliers) and "cash and cash equivalents" on the balance sheets.

Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Investments in equity securities classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

Loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of available-for-sale equity securities (together with the related currency translation differences) are recognised in other comprehensive income except for impairment losses, which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(k) Financial assets (cont'd)

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the assets become uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

Available-for-sale financial assets

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(l) Financial liabilities

Financial liabilities include trade and other payables, shares with preference rights and borrowings. Financial liabilities are recognised on the balance sheets when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(n) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

(o) Leases

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the group entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

Operating leases

Leases where the group entity retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Contingent rents are recognised as revenue in the period in which they are earned.

(p) Related parties

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The transactions are entered on terms agreed by the parties concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(q) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

Sale of goods

Revenue from sale of goods is recognised when a group entity has delivered the goods to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

Revenue from contract work

Revenue from contract work relating to installation services is recognised based on the stage of completion of the contract activities as described in Note 2(j).

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease terms.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

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

(s) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(t) Employee benefits

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 in Singapore, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(t) Employee benefits (cont'd)

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

(v) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(w) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but it is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Summary of significant accounting policies (cont'd)

(w) Contingencies (cont'd)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

(y) Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings for its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount payable to the holder. Financial guarantee contracts are amortised to profit or loss over the period of the guarantee.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements and estimations which has the most significant effect on the amounts recognised in the financial statements (apart from these involving estimations, which are dealt in the following paragraphs).

Accounting for disposal of equity shares in a subsidiary

As disclosed in Note 21, the Group and the Company have classified the considerations received from the disposal of Class A ordinary shares in a subsidiary as a financial liability. In determining this classification, judgement is required by management to assess whether the risks and rewards of the ownership and control of the shares have been transferred. The management considered that, among others, the holder has the ability to put the Class A ordinary shares back to the Company at a price at other than fair value pursuant to a put option granted by the Company to the holder of the Class A ordinary shares. Accordingly, the Company has retained a certain degree of continuing involvement such that the risks and rewards of the ownership and control of the Class A ordinary shares have not been transferred to the Class A shareholder. As disclosed in Note 13, in determining the Group's ownership interests in the subsidiary, both the Class A and B ordinary shares are considered as effectively owned by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue

Sales contracts for the Group's certain projects in the door business segment comprise a combination of delivery of goods and rendering of installation services. Such contracts involve separately identifiable components that are recognised separately based on the relative selling prices as determined by management.

When the outcome of a contract can be estimated reliably, the Group recognises contract revenue relating to installation services by reference to the stage of completion of the contract activities at the balance sheet date. Significant assumptions are required to estimate the total contract costs and the recoverable variation work. In making these estimates, management has relied on past experience and knowledge of the project managers. The carrying amounts of assets and liabilities arising from contract work at the balance sheet date are disclosed in Note 16.

Income tax

The Group has exposure to income taxes in numerous jurisdictions. 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 provision in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the balance sheet was \$700,092 (2016: \$980,578) and \$4,002,860 (2016: \$1,072,555) respectively.

Information on unabsorbed tax losses and other temporary differences for which deferred tax assets/liabilities had not been recognised are disclosed in Notes 9 and 23 respectively.

Property, plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2(e). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. The net carrying amount of property, plant and equipment at 31 March 2017 and the annual depreciation charge for the financial year ended 31 March 2017 are disclosed in Note 11. Any changes in the expected useful lives of these assets would affect the net carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

Revaluation of properties

Leasehold land and buildings and investment property of the Group are reported at valuation which is based on valuations performed by independent professional valuers. The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, location of the subject property, size and configuration of the tenancy and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates. Information on the revaluation of the leasehold land and buildings and investment property are disclosed in Notes 11 and 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Impairment of loans and receivables

The Group assesses at the balance sheet date whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the present value of estimated future cash flows differ from management's estimates, the Group's and the Company's allowance for impairment and the loans and receivables balance at the balance sheet date will be affected accordingly. The carrying amounts of the Group's and the Company's trade and other receivables at the balance sheet date are disclosed in Note 16.

Allowance for inventories

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. It could change significantly as a result of competitive actions or market conditions. The actual amount of inventories write-offs could be higher or lower than the allowance made. The write down of inventories during the financial year and the carrying amount of inventories as at 31 March 2017 are disclosed in Note 17.

Impairment of investments in subsidiaries

The Company reviews the investments in subsidiaries at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 31 March 2017 are disclosed in Note 13.

4. Revenue

	Group	
	2017	2016
	\$	\$
Sale of goods	41,035,295	51,877,505
Revenue from installation services	3,226,544	1,050,158
Rental income (Note 12)	1,386,194	1,319,604
	45,648,033	54,247,267

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

5. Other income/expenses

	Group	
	2017	2016
	\$	\$
<u>Other income:</u>		
Interest income	260,117	423,546
Gain on disposal of property, plant and equipment	20,903	–
Sale of scraps	202,572	200,864
Foreign currency exchange gain, net	676,214	–
Fair value gain on investment property (Note 12)	8,848,240	612,967
Government grants	39,294	77,486
Write-back of long outstanding other payables	–	45,522
Others	75,792	190,921
	10,123,132	1,551,306

Government grants received arose from the Productivity and Innovation Credit Scheme by the government of Singapore.

	Group	
	2017	2016
	\$	\$
<u>Other expense:</u>		
Impairment loss on property, plant and equipment (Note 11)	–	416,263
Loans due from former subsidiaries written off (Note A)	–	876,013
Loss on disposal of property, plant and equipment	–	5,346
	–	1,297,622

Note A - Loans due from former subsidiaries written off

The Group had written off loans due from its former subsidiaries, Teeni Enterprise Pte Ltd and Teeni Universal Pte Ltd (collectively “Teeni Group”) totalling \$876,013 during the financial year ended 31 March 2016. These loans were waived in the financial year ended 31 March 2015 by the then Managing Director of the Company. However, the waivers were not recorded in the financial statements for the financial year ended 31 March 2015 as the waiver letters signed by the then Managing Director only came to the attention of the management during the financial year ended 31 March 2016. The Board of Directors had ratified the decision to write off the loans in the financial year ended 31 March 2016, after performing the inquiries of the relevant personnel and considering the legal implications of the loan waivers.

6. Finance costs

	Group	
	2017	2016
	\$	\$
Finance leases	10,916	6,309
Bankers’ acceptance and foreign currency loan against import	20,212	20,002
Term loans	767,093	718,729
Finance cost for shares with preference rights	442,680	459,680
Others	–	72,793
	1,240,901	1,277,513

Finance costs for shares with preference rights relate to dividend paid to the holder of Class A Shares of a subsidiary, which is classified as a financial liability (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2017	2016
	\$	\$
Fees on audit services paid/payable to:		
- auditor of the Company	60,000	72,000
- other auditors*	85,287	90,973
Fees on non-audit services paid/payable to auditor of the Company	-	-
Allowance for impairment of doubtful trade receivables (Note 16)	126,267	-
Bad debts written off	43,996	-
Depreciation of property, plant and equipment	1,042,960	807,322
Directors' fees:		
- Directors of the Company	263,667	345,000
- Directors of a subsidiary	14,493	26,876
Foreign currency exchange loss, net	-	670,235
Impairment loss on available-for-sale financial assets	2,306	-
Inventories written down	177,669	1,197,249
Operating lease expenses	599,100	784,954
Staff costs (Note 8)	12,294,739	12,639,621
Write-back of allowance for impairment of doubtful trade receivables (Note 16)	(27,759)	-

* Includes independent member firms of the Baker Tilly International network.

8. Staff costs

	Group	
	2017	2016
	\$	\$
Staff costs (including directors):		
Salaries and bonuses	11,944,180	12,350,452
Contributions to defined contribution plans	294,712	277,103
Others	55,847	12,066
	12,294,739	12,639,621
Representing staff costs charged to:		
Cost of sales	6,774,095	7,719,710
Administrative expenses	5,520,644	4,919,911
	12,294,739	12,639,621

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

9. Tax expense

	Group	
	2017 \$	2016 \$
Current year		
Current income tax		
- Current year	711,724	1,033,951
- Over provision in prior years	(198,183)	(22,429)
	513,541	1,011,522
Deferred tax (Note 23)		
- Current year	2,591,513	13,495
- Under provision in prior years	346,586	54,543
	2,938,099	68,038
Income tax expense	3,451,640	1,079,560

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	Group	
	2017 \$	2016 \$
Profit before tax	13,387,499	4,828,100
Tax calculated at statutory rate of 17%	2,275,875	820,777
Effect of different tax rates in foreign jurisdictions	1,382,421	749,924
Income not subject to tax	(693,730)	(1,720,018)
Expenses not deductible for income tax purposes	502,556	777,512
Deferred tax assets not recognised	-	364,047
Utilisation of previously unrecognised tax losses and capital allowances	(111,282)	-
Over provision of income tax in prior years	(198,183)	(22,429)
Under provision of deferred tax in prior years	346,586	54,543
Others	(52,603)	55,204
	3,451,640	1,079,560

The Group have unabsorbed tax losses and unutilised capital allowance of approximately \$31,707,000 and \$793,000 (2016: \$32,365,000 and \$795,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation.

The income tax benefits from the unabsorbed tax losses and unutilised capital allowance carried forward are available for an unlimited period subject to the conditions imposed by law.

Deferred tax assets of approximately \$5,525,000 (2016: \$5,637,000) relating to the unabsorbed tax losses and unutilised capital allowance have not been recognised as it is not probable that future taxable profit will be available against when these unabsorbed tax losses and unutilised capital allowances can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

10. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company are based on the following:

	Group	
	2017	2016
Profit attributable to equity holders of the Company (\$)	9,935,859	3,748,540
<i>Number of shares</i>		
Weighted average number of ordinary shares	5,380,556,316	5,380,556,316
<i>Basic and diluted earnings per share (cents)</i>	0.185	0.070

Basic and diluted earnings per share amounts are calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

For the purposes 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 had one type of dilutive potential ordinary shares which is the warrants.

Warrants have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the financial year ended 31 March 2017 and 31 March 2016. There is no dilutive effect arising from warrants as the exercise price of the warrants was higher than the Company's average share price during the financial year ended 31 March 2017 and 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

11. Property, plant and equipment

Group Cost/Valuation	At valuation ←		At cost →					Total
	Leasehold land and buildings	Land use rights	Plant and equipment	Motor vehicles	Office equipment	Renovation	Construction in progress	
	\$	\$	\$	\$	\$	\$	\$	
At 1 April 2015	13,503,025	378,819	7,507,293	648,319	354,096	371,277	4,245,905	27,008,734
Additions	–	–	119,821	131,820	25,518	13,261	2,758,331	3,048,751
Disposals	–	–	(214,127)	(221,295)	(1,301)	(2,613)	–	(439,336)
Currency translation	(717,203)	(23,604)	(557,260)	(10,664)	(13,169)	(2,548)	(361,021)	(1,685,469)
At 31 March 2016	12,785,822	355,215	6,855,727	548,180	365,144	379,377	6,643,215	27,932,680
Additions	2,339,679	–	135,283	156,070	29,591	169,775	–	2,830,398
Reclassification	6,583,580	–	–	–	–	–	(6,583,580)	–
Transfer to VAT receivable	–	–	–	–	–	–	(97,247)	(97,247)
Disposals/write off	–	–	(195,495)	(188,370)	(1,502)	(250,190)	–	(635,557)
Currency translation	(842,797)	8,854	(472,567)	(9,210)	(12,046)	5,337	37,612	(1,284,817)
At 31 March 2017	20,866,284	364,069	6,322,948	506,670	381,187	304,299	–	28,745,457
Accumulated depreciation and impairment losses								
At 1 April 2015	351,577	–	6,456,076	316,190	138,118	192,172	–	7,454,133
Additions	346,921	–	187,061	83,432	51,542	138,366	–	807,322
Disposals	–	–	(206,907)	(105,897)	(1,301)	(1,916)	–	(316,021)
Impairment losses	416,263	–	–	–	–	–	–	416,263
Currency translation	(31,152)	–	(514,036)	(5,288)	(10,595)	(2,326)	–	(563,397)
At 31 March 2016	1,083,609	–	5,922,194	288,437	177,764	326,296	–	7,798,300
Additions	575,661	46,851	182,730	98,861	56,746	82,111	–	1,042,960
Disposals/write off	–	–	(193,497)	(183,063)	(492)	(250,090)	–	(627,142)
Currency translation	(200,384)	239	(427,216)	(6,612)	(8,202)	4,654	–	(637,521)
At 31 March 2017	1,458,886	47,090	5,484,211	197,623	225,816	162,971	–	7,576,597
Representing:								
Accumulated depreciation	1,042,623	47,090	5,484,211	197,623	225,816	162,971	–	7,160,334
Accumulated impairment losses	416,263	–	–	–	–	–	–	416,263
	1,458,886	47,090	5,484,211	197,623	225,816	162,971	–	7,576,597
Net carrying amount								
At 31 March 2017	19,407,398	316,979	838,737	309,047	155,371	141,328	–	21,168,860
At 31 March 2016	11,702,213	355,215	933,533	259,743	187,380	53,081	6,643,215	20,134,380

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

11. Property, plant and equipment (cont'd)

	At valuation	← At cost →			Total
	Leasehold building	Office equipment	Motor vehicles	Renovation	
	\$	\$	\$	\$	\$
Company					
Cost/Valuation					
At 1 April 2015	–	–	28,478	245,000	273,478
Additions	–	5,177	–	–	5,177
At 31 March 2016	–	5,177	28,478	245,000	278,655
Additions	2,339,679	2,413	156,000	155,080	2,653,172
Disposal	–	–	(28,478)	(245,000)	(273,478)
At 31 March 2017	2,339,679	7,590	156,000	155,080	2,658,349
Accumulated depreciation					
At 1 April 2015	–	–	8,306	142,917	151,223
Charge for the financial year	–	404	4,746	81,667	86,817
At 31 March 2016	–	404	13,052	224,584	238,040
Charge for the financial year	33,234	1,412	35,646	43,678	113,970
Disposal	–	–	(13,448)	(245,000)	(258,448)
At 31 March 2017	33,234	1,816	35,250	23,262	93,562
Net carrying amount					
At 31 March 2017	2,306,445	5,774	120,750	131,818	2,564,787
At 31 March 2016	–	4,773	15,426	20,416	40,615

Land use rights with carrying amount of \$316,979 (2016: \$355,215) represent the rights over few plots of state-owned land in Vietnam. The land use rights are not transferable.

Included in leasehold land and building (2016: construction in progress) of the Group with carrying amount of \$379,428 (2016: \$378,162) are two units of residential properties located in Vietnam. These residential properties are registered in the name of a former director of the Group and are held in trust on behalf of the Group.

Assets held under finance leases

The carrying amount of the Group's motor vehicles acquired under finance leases at the balance sheet date is \$85,245 (2016: \$128,125).

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold land and building with a carrying amount of \$3,945,484 (2016: \$4,050,000) is pledged to a financial institution to secure the Group's bank loans (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

11. Property, plant and equipment (cont'd)

Revaluation of leasehold land and buildings

The Group's factories in Malaysia had been revalued in September 2013 and February 2014 to \$8,723,600 in aggregate. The valuations were determined based on the properties' highest and best use by an accredited independent professional valuer using the Market Comparison Approach, under which the properties are assessed having regards to the recent transactions around the vicinity. Significant input used in this valuation is price per square foot of comparable properties in the vicinity, ranging from MYR8.60 to MYR14.50 per square foot. Appropriate adjustments have been made between comparables and the subject properties to reflect the differences in size, tenure, location, shape, terrain, title, restriction, infrastructure as well as other relevant factors affecting their values. Higher price per square foot will result in a higher fair value measurement. The fair value measurement is categorised under Level 3 of the fair value hierarchy. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under asset revaluation reserve (Note 25).

At the balance sheet date, the market value of a leasehold building located at Kaki Bukit Industrial Terrace, Singapore is valued at \$4,000,000 (2016: \$4,050,000). The valuation was determined based on the property's highest and best use by an accredited independent professional valuer using the Direct Comparison Approach, under which the property is assessed having regards to the recent transactions around the vicinity. Significant input used in this valuation is price per square foot of comparable properties in the vicinity, ranging from \$779 to \$993 per square foot. Appropriate adjustments have been made between comparables and the subject property to reflect the differences in size, tenure, location, age, type of property and other relevant factors affecting its value. Higher price per square foot will result in a higher fair value measurement. The fair value measurement is categorised under Level 3 of the fair value hierarchy. The recoverable amount of this property in the current financial year approximates its carrying amount. Therefore, no additional impairment loss nor reversal of impairment loss (2016: impairment loss of \$416,263) is recognised by the Group.

As disclosed in Note 16(D.2), the acquisition of the office units located at Kallang Avenue, Singapore by the Company was completed during the financial year. The carrying value of the property acquired, which was derived from the transacted price with a third party, approximates the fair value of the property (Level 3 fair value hierarchy).

Reclassification from construction in progress to leasehold land and buildings

During the financial year, the Group's property under construction in progress has been completed. The carrying value of the property amounting to \$6,583,580 (2016: Nil), which approximates the fair value of the property, was transferred to leasehold land and building.

The fair value was determined based on valuation performed by an accredited independent professional valuer. The valuation was based on the Depreciated Replacement Cost Approach which entails estimating the depreciated replacement costs of the construction and related expenditure. Reference was made to the valuer's research of the estimated rates per square metre for construction costs of similar industrial structures in the vicinity area, which ranges from \$35 (USD25) to \$279 (USD200) per square metre. Higher estimated cost of replacement will result in a higher fair value measurement. In estimating the fair value of the property in Vietnam, the highest and best use of the property is their current use. The fair value measurement of the property is categorised under Level 3 of the fair value hierarchy.

Measurement using cost model

At the balance sheet date, had the leasehold land and buildings were measured using the cost model, their net carrying amounts would be as follows:

	Group	
	2017	2016
	\$	\$
Leasehold land and buildings		
Cost	19,126,062	10,202,803
Accumulated depreciation	(2,395,572)	(1,863,474)
Accumulated impairment losses	(416,263)	(416,263)
Currency translation differences	(754,792)	(932,317)
Net carrying amount	15,559,435	6,990,749

The carrying amount of the leasehold building of the Company approximates to \$2,306,445 had it been carried under the cost model.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

11. Property, plant and equipment (cont'd)

Details of the properties held by the Group are as follows:

Location	Description	Tenure	Building area (sqm)
2017			
Plo 32, Kawasan Perindustrian Simpang Renggam, 86200 Simpang Renggam, Johor, Malaysia	Factory	Leasehold (60 years expiring on 21 May 2062)	10,763
Plo 34, Kawasan Perindustrian Simpang Renggam, 86200 Simpang Renggam, Johor, Malaysia	Factory	Leasehold (60 years expiring on 29 August 2059)	10,763
Land Plot No. 452 and 453, Khanh Binh Commune, Tan Uyen Town, Binh Duong Province, Ho Chi Minh City, Vietnam	Factory	Leasehold (50 years expiring on 6 September 2063)	25,528
39 Kaki Bukit Industrial Terrace Singapore 416119	Factory/ Office	Leasehold (60 years expiring on 8 January 2055)	723
2 Kallang Avenue, CT Hub, #07-03/04, Singapore 339407	Office	Leasehold (99 years expiring on 13 January 2075)	252
2016			
Plo 32, Kawasan Perindustrian Simpang Renggam, 86200 Simpang Renggam, Johor, Malaysia	Factory	Leasehold (60 years expiring on 21 May 2062)	10,763
Plo 34, Kawasan Perindustrian Simpang Renggam, 86200 Simpang Renggam, Johor, Malaysia	Factory	Leasehold (60 years expiring on 29 August 2059)	10,763
Land Plot No. 452 and 453, Khanh Binh Commune, Tan Uyen Town, Binh Duong Province, Ho Chi Minh City, Vietnam	Factory (construction-in-progress)	Leasehold (50 years expiring on 6 September 2063)	25,528
39 Kaki Bukit Industrial Terrace Singapore 416119	Factory/ Office	Leasehold (60 years expiring on 8 January 2055)	723

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. Investment property

	Group	
	2017	2016
	\$	\$
Balance sheet		
At beginning of the financial year	26,470,925	26,577,974
Fair value gain recognised in profit or loss	8,848,240	612,967
Currency translation differences	1,274,835	(720,016)
Transfer to property held-for-sale (Note 19)	(36,594,000)	–
At end of the financial year	–	26,470,925
Statement of comprehensive income		
Rental income from investment property:		
- Minimum lease payments	1,386,194	1,319,604
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating property	375,590	391,371

Investment property is stated at fair value.

In 2016, the fair value has been determined based on valuation performed by an accredited independent professional valuer. The 2016 valuation was based on the income capitalisation method that makes reference to estimated annual rental values of AUD1,278,367 per annum at a yield of 5%. Higher annual rental will result in a higher fair value measurement. A higher capitalisation rate will result in a lower fair value measurement. In estimating the fair value of the investment property, the highest and best use of the property is their current use. The fair value of the property was classified under Level 3 of the fair value hierarchy.

The investment property held by the Group is as follows:

Description and Location	Existing use	Tenure	Building area (sqm)
A block of seven-storey building, 301 Flinders Lane, Melbourne, Australia.	Office/educational accommodation	Freehold	5,690

The Group's investment property was mortgaged to secure the Group's bank loans (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

13. Investments in subsidiaries

	Company	
	2017 \$	2016 \$
Unquoted equity shares, at cost		
At beginning of the financial year	49,776,527	49,776,527
Additions	10	–
At end of the financial year	49,776,537	49,776,527
Less: Impairment losses		
At beginning of the financial year	20,956,719	10,456,722
Impairment loss during the year	–	10,499,997
At end of the financial year	20,956,719	20,956,719
Net carrying amount	28,819,818	28,819,808

On 1 March 2017, the Company incorporated a wholly-owned subsidiary in Singapore known as Ambertree Indonesia Ventures Pte Ltd (“AIV”) with a paid-up capital of \$10. AIV was incorporated in connection with the Group’s diversification into the property development and property investment business.

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest	
			2017 %	2016 %
<i>Held by the Company</i>				
Ambertree Pte. Ltd. ⁽¹⁾	Singapore	Rental of premises	100	100
KLW Resources Sdn. Bhd. (“KLWR”) ⁽²⁾ (Note A)	Malaysia	Investment holding	100	100
Ambertree Vic-Mel (Flinders) Pty Ltd ⁽³⁾	Australia	Investment holding/Property investment	100	100
Ambertree Vic Mel (Lincoln) Pty Ltd ⁽³⁾	Australia	Investment holding/Property development	100	100
Ambertree Indonesia Ventures Pte. Ltd. ⁽³⁾	Singapore	Investment holding	100	–
<i>Held through Ambertree Pte. Ltd.</i>				
Ambertree Development (Singapore) Pte. Ltd. ⁽³⁾	Singapore	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

13. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest	
			2017 %	2016 %
<i>Held through KLW Resources Sdn. Bhd.</i>				
KLW Wood Products (M) Sdn. Bhd. ⁽²⁾	Malaysia	Manufacture and supply of doors, mouldings and wood floorings	100	100
Dongguan Lebex Door Co. Ltd. ⁽⁵⁾	People's Republic of China	Manufacture and supply of doors, mouldings and wood floorings	100	100
KLW Joinery Pte. Ltd. ⁽¹⁾	Singapore	Supply and installation of doors, mouldings and wood floorings	100	100
KLW (HK) Limited ⁽⁴⁾	Hong Kong	Trading of doors, mouldings, floorings and related products	100	100
Key Bay Furniture Co., Ltd ("Key Bay") ⁽⁶⁾	Vietnam	Manufacturing, processing all kinds of artificial boards, thin veneer boards, flooring boards, high quality furniture and all kinds of wooden doors	100	100

⁽¹⁾ Audited by Baker Tilly TFW LLP, Singapore

⁽²⁾ Audited by Baker Tilly Monteiro Heng, Malaysia

⁽³⁾ Audited by Baker Tilly TFW LLP, Singapore for the purpose of consolidation

⁽⁴⁾ Audited by Baker Tilly Monteiro Heng, Malaysia for the purpose of consolidation

⁽⁵⁾ Audited by Baker Tilly China

⁽⁶⁾ Audited by Baker Tilly A&C, Vietnam

In previous financial year, the management performed an impairment test for the Company's investments in subsidiaries, and an impairment loss of \$10,499,997 was recognised to fully write down the investment in a subsidiary to its recoverable amount of nil, due to its net liability position.

Note A - KLWR

Included in KLWR total number of shares issued are two categories of shares. Class A ordinary shares are held by a third party as at 31 March 2017 and 31 March 2016 and represents 30% (2016: 30%) of the total number of issued shares of KLWR. Class B ordinary shares, representing 70% of the total number of issued shares of KLWR, are held by the Company. The management considered that, among others, the holder has the ability to put the Class A ordinary shares back to the Company at a price at other than fair value, pursuant to a put option granted by the Company to the holder of the Class A ordinary shares. Accordingly, the Company has retained a certain degree of continuing involvement such that the risks and rewards of the ownership and control of the Class A ordinary shares have not been transferred to the Class A shareholder. In determining the Group's ownership interests in KLWR, both the Class A and B ordinary shares are considered as effectively owned by the Company (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

14. Available-for-sale financial assets

	Group	
	2017	2016
	\$	\$
Quoted investments in equity securities listed on SGX-ST		
At beginning of the financial year	2,767	2,767
Less: Impairment loss	(2,306)	–
At end of the financial year	<u>461</u>	<u>2,767</u>

During the financial year, the Group recognised an impairment loss of \$2,306 (2016: Nil) against a Singapore quoted equity investment whose market price had been below carrying amounts for a prolonged period.

As at the balance sheet date, the carrying value of the available-for-sale financial assets is stated at fair value. The fair value measurement of the available-for-sale financial assets is categorised within Level 1 of the fair value hierarchy.

15. Development property

	Group	
	2017	2016
	\$	\$
<i>Property held for redevelopment</i>		
At beginning of the financial year	13,690,554	–
Additions	–	13,318,864
Currency translation differences	517,878	371,690
At end of the financial year	<u>14,208,432</u>	<u>13,690,554</u>

The information on the property held for redevelopment is as follows:

Location	Description	Tenure	Building area (sqm)	Percentage of completion at 31 March 2017	Interest held	Expected completion date
23 - 31 Lincoln Square South, Carlton, Melbourne, Australia.	A block of five-storey commercial office building/ redevelopment opportunity	Freehold	3,745	–	100%	Unknown

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

16. Prepayments, trade and other receivables

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Current				
Trade receivables				
- third parties	3,230,932	2,573,999	-	-
- subsidiaries	-	-	299,529	299,529
- accrued revenue	2,090,519	4,770,364	-	-
- retention sum (Note A)	254,532	918,025	-	-
- due from customers on contract work (Note A)	37,623	542,925	-	-
	5,613,606	8,805,313	299,529	299,529
Less: Impairment loss of trade receivables	(126,267)	(186,423)	(299,529)	(299,529)
Trade receivables, net	5,487,339	8,618,890	-	-
Other receivables				
- commitment fees (Note B)	7,200,000	7,200,000	-	-
- sundry receivables	253,414	1,010,946	138,315	221,710
- due from subsidiaries (non-trade) (Note C)	-	-	29,026,679	30,602,244
- deposits (Note D)	9,181,451	611,355	9,016,467	416,703
	16,634,865	8,822,301	38,181,461	31,240,657
Less: Impairment loss of other receivables	(7,200,000)	(7,200,000)	(8,419,869)	(8,421,470)
Other receivables, net	9,434,865	1,622,301	29,761,592	22,819,187
Prepayments	324,470	259,580	72,170	18,434
VAT receivables	476,062	-	-	-
Advance payments to suppliers	329,156	126,241	-	-
Prepayments, trade and other receivables, net	16,051,892	10,627,012	29,833,762	22,837,621
Non-current				
Prepayments	-	15,254	-	-
Trade receivables - retention sum (Note A)	427,870	-	-	-
Prepayments, trade and other receivables	427,870	15,254	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

16. Prepayments, trade and other receivables (cont'd)

Note A - Amounts due from customers on contract work

	Group	
	2017	2016
	\$	\$
Contract work-in-progress		
Aggregate costs incurred and recognised profits (less recognised losses) to-date on uncompleted contract work	37,623	1,050,158
Less: Progress billings	–	(507,233)
	37,623	542,925
Presented as:		
Due from customers on contract work	37,623	542,925
Retention sums on contract work		
- Non-current	427,870	–
- Current	254,532	918,025
	682,402	918,025

Note B - Commitment fees

During the financial year ended 31 March 2015, the Group has paid a total amount of \$16,200,000 as commitment fees in connection with the three non-binding term sheets as described below. The Group has not entered into any definitive agreement with any of the counterparties by the stipulated deadline in July 2014 and as a result, the commitment fees became due and refundable in full by the counterparties since then:

- An amount of \$2,200,000 was paid under a term sheet in respect of a property development project in Bali, Indonesia (“Bali term sheet”). During the previous financial year 2016, the Group has recovered \$2,000,000 of the commitment fee with remaining balance of \$200,000 due by the counterparty. The Group has made an allowance for impairment loss on the \$200,000 of the commitment fee since financial year 2015.
- An amount of \$7,000,000 was paid under a term sheet in respect of a hotel acquisition in Zhangye, Gansu, China (“Zhangye Hotel Term Sheet”). The counterparty in this term sheet is a company incorporated in the British Virgin Islands (“Zhangye counterparty”). During the previous financial year 2016, the Group has fully recovered this commitment fee from the counterparty.
- An amount of \$7,000,000 was paid to the Zhangye counterparty under a term sheet in respect of a property development project in Zhangye, Gansu, China (“Zhangye Property Term Sheet”), which remains outstanding as at 31 March 2017. Despite having entered and agreed into a new plan and agreement to recover the said amount from the counterparty, the Group has not recovered the sum and therefore a full allowance for impairment loss has been made since financial year 2015.

The Group has entered into another term sheet with the same counterparty, i.e. Zhangye counterparty on 25 May 2015, which sets out certain key indicative terms of a potential transaction proposed to be introduced by the Zhangye counterparty and its director and shareholder to the Company (collectively the “Parties”). The proposal relates to a proposed joint venture in a property development project in Vietnam between the Group and two companies incorporated in Vietnam (“Vietnam Term Sheet”).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

16. Prepayments, trade and other receivables (cont'd)

Note B - Commitment fees (cont'd)

By entering into the Vietnam Term Sheet, it was agreed amongst the Parties that the outstanding commitment fee amounting to \$7.0 million owing by the Zhangye counterparty to the Group under the Zhangye Property Term Sheet will be paid into an escrow account by 25 August 2015, which will serve as the commitment fee paid by the Company under the Vietnam Term Sheet. The said amount will be released from the escrow account to the Company by 25 November 2015 in the event that no definitive agreement is entered into by the Group by then, relating to the Vietnam Term Sheet or from any other transactions so introduced by the Zhangye counterparty or its director and shareholder. The director and shareholder of the Zhangye counterparty has personally undertaken to fulfil the payment obligations under the above Term Sheets.

The Board of Directors have taken actions to recover the commitment fees. On 26 May 2015, 27 May 2015 and 1 July 2015 respectively, the Group had managed to recover a total of \$9.0 million. On 22 November 2015, the Company had announced that it had issued a letter of demand for the remaining \$200,000 but that the board has kept the claim in abeyance in the meantime.

The present claim in the High Court of the Republic of Singapore ("High Court") is for the sum of \$7.0 million. On 18 October 2016, the Company was granted summary judgement for the sum of \$7.0 million, interest on the sum of \$7.0 million at the rate of 5.33% per annum from 21 November 2015 and costs of \$10,000 excluding disbursements, which are to be agreed if not taxed. The counterparties have lodged an appeal against the High Court's decision and the appeal is presently scheduled to be heard on a date between 25 September 2017 and 3 October 2017. Please refer to Note 33 for further details.

Accordingly, the remaining outstanding balances of \$7.2 million relating to the Bali Term Sheet and Vietnam Term Sheet (originally paid under Zhangye Property Term Sheet) amounted to \$200,000 and \$7,000,000 respectively have remained outstanding and fully impaired as at 31 March 2017.

Note C - Due from subsidiaries (non-trade)

These amounts are unsecured, interest-free and repayable on demand.

Note D - Deposits

D.1 Included in the deposits of the Group and the Company is a refundable deposit of \$8,983,924 (2016: Nil) being placed under an escrow account with a licensed bank in Singapore. On 1 March 2017, AIV entered into a non-binding memorandum of understanding (the "MOU") with PT Codefin, an Indonesian domiciled entity, in relation to a proposed joint venture (the "Proposed Joint Venture"). Pursuant to the MOU, AIV and PT Codefin will form a joint venture company (the "JV Co.") in Indonesia with AIV and PT Codefin (or its affiliate) holding 65% and 35% shareholding in the JV Co. respectively.

The JV Co. is to be established for the purpose of acquiring a piece of land located at Jalan R.A. Kartini No. 18, Jakarta, Indonesia (the "Land") from PT Karya Propertindo Investama ("PT KPI"), an affiliate of PT Codefin, for an aggregate consideration of \$29.8 million (equivalent to IDR 285 billion) (the "Purchase Price"), subject to the JV Co. obtaining all licences that it requires to purchase the Land. It is intended for the JV Co. to develop a mixed used residential development with retail and commercial component on the Land (the "Proposed Project"). Pursuant to the MOU, PT Codefin has granted AIV exclusive rights for a period of up to two months from the date of execution of the MOU to carry out due diligence on the Land and Proposed Joint Venture.

The deposit of \$8,983,924 is approximately 30% of the Purchase Price. In the event that AIV, in its sole discretion, is not satisfied with the result of the due diligence and decides not to proceed with the Proposed Joint Venture, the deposit will be fully refunded to the Company.

D.2 Included in the deposits of the Group and the Company at previous balance sheet date was a deposit of \$227,852 being placed with a third party vendor during the financial year ended 31 March 2016 for an option to purchase two office units located at Kallang Avenue, Singapore. The acquisition of the property has been completed on 6 May 2016. Accordingly, the deposit has been reclassified to property, plant and equipment during the financial year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

16. Prepayments, trade and other receivables (cont'd)

Movement in the allowances for impairment loss

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Trade receivables				
At beginning of the financial year	186,423	369,685	299,529	299,529
Allowance written off against trade receivables	(158,664)	(183,262)	–	–
Additional allowance	126,267	–	–	–
Reversal of allowance for impairment loss	(27,759)	–	–	–
At end of the financial year	126,267	186,423	299,529	299,529
Other receivables				
At beginning of the financial year	7,200,000	7,200,000	8,421,470	8,039,999
Additional allowance	–	–	–	381,471
Reversal of allowance for impairment loss	–	–	(1,601)	–
At the end of the financial year	7,200,000	7,200,000	8,419,869	8,421,470

Fair value of non-current trade receivables

The fair value of non-current trade receivables amounting to \$427,870 (2016: Nil) is computed based on cash flows discounted at market borrowing rate of 5.56% (2016: Nil) per annum. The fair value measurement is categorised within level 3 of the fair value hierarchy.

17. Inventories

	Group	
	2017 \$	2016 \$
Finished goods	860,704	560,177
Work-in-progress	2,160,797	1,975,595
Raw materials	4,133,789	3,433,107
	7,155,290	5,968,879

The cost of inventories recognised as expense and included in “cost of sales” amounted to \$16,771,087 (2016: \$19,955,418).

Inventories recognised as an expense in “cost of sales” represents write-down of inventories amounted to \$177,669 (2016: \$1,197,249).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

18. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash and bank balances	13,037,261	7,374,598	4,087,719	1,468,371
Fixed deposits	15,042,589	28,571,116	13,437,589	27,024,616
Cash and cash equivalents	28,079,850	35,945,714	17,525,308	28,492,987

Fixed deposits of the Group and Company bear interest rates ranging from 0.35% to 2.50% and 0.35% to 1.77% (2016: 1.30% and 2.90%) respectively per annum and have a maturity period of 1 to 8 months and 1 to 8 months (2016: 10 months and 10 months) respectively from the balance sheet date.

Included in cash and cash equivalents are bank deposits amounting to \$171,908 (2016: \$501,680) which are not freely remissible to overseas because of currency exchange restrictions.

19. Property held-for-sale

On 21 December 2016, Ambertree Vic-Mel (Flinders) Pty Ltd entered into a contract of sale with a third party for the sale of investment property for a total consideration of \$36.6 million (approximately AUD34.2 million). Accordingly, the property is presented on the balance sheet as "Property held-for-sale" as at 31 March 2017 and is stated at fair value. The sale of the property was completed on 21 April 2017.

At the balance sheet date, the fair value is determined based on contracted selling price with a third party (Level 2 of the fair value hierarchy). The property is mortgaged to secure the Group's bank loans (Note 22).

20. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current				
<u>Trade payables</u>				
Third parties	1,404,267	1,131,392	–	–
<u>Other payables</u>				
Third parties	684,259	2,083,362	84,484	137,028
Rental deposits received	240,654	138,620	–	–
Accrued operating expenses	3,294,448	4,469,494	395,611	517,405
	4,219,361	6,691,476	480,095	654,433
Trade and other payables	5,623,628	7,822,868	480,095	654,433

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. Shares with preference rights

KLWR, a wholly-owned subsidiary of the Company, issued 13,016,053 Class A ordinary shares and 30,370,790 Class B ordinary shares to the Company on 20 Aug 2010. Koperasi Permodalan Felda Malaysia Berhad ("KPFB") then acquired the entire Class A ordinary shares from the Company for a total consideration of MYR17.0 million, of which MYR15.0 million, equivalent to \$4,740,000 (2016: \$5,160,000) was received during the financial year ended 31 December 2011. The remaining MYR2.0 million, equivalent to \$632,000 (2016: \$688,000), will be paid to the Company upon fulfilling the terms and conditions as stipulated in the Shares Sale Agreement (Note 26).

In addition, as part of the terms for the acquisition, the Company has granted KPFB an irrevocable option ("Put Option") to put the Class A ordinary shares back to the Company if certain trigger events as stipulated in the Put Option Agreement occur. The exercise price of the Put Option shall be the aggregate of the consideration received by the Company plus an amount equal to annual simple interest at a rate of 8% per annum, deducting any dividends which have been paid to KPFB in relation to the Class A ordinary shares ("Option Exercise Price").

Even though the Company had transferred the rights to the annual dividend cash flow associated with the Class A ordinary shares to KPFB in return for the consideration, the investment in Class A ordinary shares has not been de-recognised as at balance sheet date and no gain/loss has been recognised in the Company's financial statements. This is because KPFB has the ability to put the Class A ordinary shares back to the Company at a pre-determined Option Exercise Price, which is not based on its fair value at the exercise date. The management is of the view that the Company has retained a certain degree of continuing involvement such that the risks and rewards of the ownership and control of the Class A ordinary shares have not been transferred to KPFB. Accordingly, the consideration received is recognised as a financial liability and is measured at amortised cost. The initial cost of the Company's investment in respect of Class A ordinary shares of \$5,440,710 (2016: \$5,440,710) is classified as part of investments in subsidiaries and is carried at cost (Note 13).

Further, the Shares Sale Agreement also provides that in the event of any breach or default by the Company of any of the provisions of the Shares Sale Agreement, KPFB shall be entitled at its option to specific performance or an agreed liquidated damages of 10% of the total consideration whereupon the Company and KPFB shall be reinstated to the position before the Shares Sale Agreement.

During the financial year, KPFB has agreed to the extension of the Put Option expiry date and extension of a trigger event, ie proposed listing of KLWR, to 31 December 2017.

Subsequent to 31 December 2017 and if KPFB did not put back the shares to the Company, KPFB will be entitled to an annual dividend which is equivalent to 50% of the consolidated profit after tax of KLWR based on the proportion of Class A ordinary shares over the aggregate number of Class A and Class B ordinary shares in issue as at the end of the financial year. This dividend entitlement may be waived with the consent of KPFB.

As at the balance sheet date, KPFB has not exercised the Put Option.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. Borrowings

	Group	
	2017 \$	2016 \$
Current		
Finance lease liabilities	17,925	20,208
Foreign currency loan against import	840,132	723,600
Term loan I	86,339	114,301
Term loan II	15,017,450	128,875
	15,961,846	986,984
Non-current		
Finance lease liabilities	77,074	53,476
Term loan I	3,250,156	3,321,305
Term loan II	–	14,470,085
	3,327,230	17,844,866
Total borrowings		
Finance lease liabilities	94,999	73,684
Foreign currency loan against import	840,132	723,600
Term loan I	3,336,495	3,435,606
Term loan II	15,017,450	14,598,960
	19,289,076	18,831,850

Finance lease liabilities

The finance lease liabilities are secured by a charge over the leased motor vehicles of the Group (Note 11). The weighted average effective interest rate of finance leases of the Group ranges from 5.56% to 5.93% (2016: 4.33% to 5.93%) respectively per annum.

	Group			
	2017		2016	
	Minimum lease payments \$	Present value \$	Minimum lease payments \$	Present value \$
Not later than one financial year	22,919	17,925	23,052	20,208
Later than one financial year but not later than five financial years	72,988	62,089	59,012	53,476
Later than five financial years	15,393	14,985	–	–
Total minimum lease payments	111,300	94,999	82,064	73,684
Less: Future finance charges	(16,301)	–	(8,380)	–
Present value of finance lease liabilities	94,999	94,999	73,684	73,684

Representing:

Current	17,925	20,208
Non-current	77,074	53,476
	94,999	73,684

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. Borrowings (cont'd)

Foreign currency loan against import

- (i) The foreign currency loan against import of the Group is secured by ways of the following:
 - (a) corporate guarantee from the Company;
 - (b) negative pledge over certain assets of the Group; and
 - (c) legal charges over certain properties of the Group (Note 11).
- (ii) At previous balance sheet date, the above foreign currency loan against import of the Group is also secured by joint and several guarantee by a director of the Company and certain directors of its subsidiaries.
- (iii) Foreign currency loan against import is drawn down for a period of up to 120 days (2016: 120 days) which is renewable on maturity. Interest is charged at rates ranging from 2.61% to 3.36% (2016: 2.58% to 3.06%) per annum.

Term loan I - Floating rate

- (i) Term loan I is secured by ways of the following:
 - (a) legal charges over the Group's leasehold land and building in Singapore (Note 11); and
 - (b) corporate guarantee from the Company (2016: a personal guarantee by a former director of the Company).
- (ii) Term loan I is repayable by monthly instalments commencing from October 2014 over 25 years and bears an effective interest rate of 3.45% (2016: 1.75%) per annum at the balance sheet date.

Term loan II - Fixed rate

- (i) Term loan II is secured by a legal mortgage over Group's property held-for-sale (2016: investment property (Note 12)) in Australia (Note 19).
- (ii) Term loan II bears interest at 4.57% (2016: 4.57%) per annum at the balance sheet date and was fully repaid upon completion of the sale of property held-for-sale in April 2017 (Note 19).

Determination of fair value of borrowings

The carrying amounts of borrowings approximates their fair values at the balance sheet date.

The fair value of the borrowings are determined based on discounted cash flows using market lending rate for similar borrowings which the management expects would be available to the Group and the Company at the balance sheet date. The fair value of the non-current borrowings at the balance sheet date approximates its carrying value as there are no significant changes in the interest rate available to the Group at the balance sheet date. This fair value measurement for disclosure purpose is categorised within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in deferred tax liabilities are as follows:

	Group	
	2017 \$	2016 \$
At beginning of the financial year	1,072,555	1,095,489
Recognised in profit or loss (Note 9)	2,938,099	68,038
Currency translation differences	(7,794)	(90,972)
At end of the financial year	4,002,860	1,072,555

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	← Deferred tax liabilities →				
	Net book values over tax written down values \$	Asset revaluation of leasehold land and buildings \$	Fair value gains \$	Others \$	Total \$
Group					
2017					
At beginning of the financial year	101,100	1,160,586	–	–	1,261,686
Recognised in the profit or loss	229,832	(198,022)	2,539,848	185,007	2,756,665
Currency translation differences	(407)	(86,066)	78,510	(7,528)	(15,491)
At end of the financial year	330,525	876,498	2,618,358	177,479	4,002,860
2016					
At beginning of the financial year	71,360	1,267,315	–	–	1,338,675
Recognised in the profit or loss	50,075	(16,195)	–	–	33,880
Currency translation differences	(20,335)	(90,534)	–	–	(110,869)
At end of the financial year	101,100	1,160,586	–	–	1,261,686

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. Deferred tax liabilities (cont'd)

	← Deferred tax assets →			
	Unutilised tax losses and capital allowances	Allowance for inventories	Others	Total
	\$	\$	\$	\$
Group				
2017				
At beginning of the financial year	–	(109,942)	(79,189)	(189,131)
Recognised in the profit or loss	–	105,468	75,966	181,434
Currency translation differences	–	4,474	3,223	7,697
At end of the financial year	–	–	–	–
2016				
At beginning of the financial year	–	(119,848)	(123,338)	(243,186)
Recognised in the profit or loss	(8,473)	5,460	37,171	34,158
Currency translation differences	8,473	4,446	6,978	19,897
At end of the financial year	–	(109,942)	(79,189)	(189,131)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$24.0 million (2016: \$19.0 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and these will not reverse in the foreseeable future.

24. Share capital

	Group and Company	
	2017	2016
	\$	\$
Issued and paid up capital		
5,380,556,316 ordinary shares fully paid with no par value	103,170,633	103,170,633

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Revaluation and other reserves

	Asset revaluation reserve \$	Foreign currency translation reserve \$	Warrant reserve \$	Total \$
Group				
2017				
At beginning of the financial year	3,973,109	(2,745,138)	3,286,752	4,514,723
Net exchange differences on translation of financial statements of foreign subsidiaries	–	407,506	–	407,506
At end of the financial year	3,973,109	(2,337,632)	3,286,752	4,922,229
2016				
At beginning of the financial year	3,973,109	(1,645,620)	3,286,752	5,614,241
Net exchange differences on translation of financial statements of foreign subsidiaries	–	(1,099,518)	–	(1,099,518)
At end of the financial year	3,973,109	(2,745,138)	3,286,752	4,514,723
Company				
2017				
At beginning and end of the financial year	–	–	3,286,752	3,286,752
2016				
At beginning and end of the financial year	–	–	3,286,752	3,286,752

Asset revaluation reserve

Asset revaluation reserve mainly includes the cumulative net change, net of deferred tax effects, arising from revaluation of leasehold land and buildings.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Warrant reserve

Warrant reserve relates to the fair value ascribed to warrants issued, net of issue expenses. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.07. As at 31 March 2017, the Company has outstanding warrants of 2,440,278,158. The warrants had expired on 30 June 2017.

Asset revaluation reserve, foreign currency translation reserve and warrant reserve are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

26. Contingencies

(a) Contingent liabilities

(i) Corporate guarantee

	Company	
	2017	2016
	\$	\$
Guarantee issued for bank facilities granted to a subsidiary	5,650,200	2,218,800
Amounts utilised by a subsidiary	4,176,627	723,600

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial year ended 31 March 2017 and 31 March 2016.

(ii) Contingent asset

As stated in the Share Sale Agreement dated 20 August 2010 entered with KPFB relating to Class A ordinary shares of KLWR (Note 21), a contingent consideration has been agreed. Additional cash payment could be received up to a maximum of MYR2,000,000, equivalent to \$632,000 (2016: \$688,000), if KLWR meets the profit guarantee as stipulated in the Share Sale Agreement ("Guaranteed Profit"). Any shortfall from the Guaranteed Profit will be deducted from the contingent consideration of MYR2,000,000, based on an agreed formula. Should the shortfall determined as such be greater than MYR2,000,000, the Company is liable to compensate the same to KPFB.

As at 31 March 2017, based on the financial performance of KLWR, the management considered that the Group has achieved the Guaranteed Profit. However, the management is of the view that the realisation of the contingent consideration of MYR2,000,000, equivalent to \$632,000 (2016: \$688,000), is not virtually certain, as the Company is currently seeking an extension of time with KPFB on the proposed listing and is uncertain whether any changes or adjustments will be made to the terms of the Share Sale Agreement. Accordingly, the amount is disclosed as contingent asset.

27. Commitments

(a) *Operating lease commitments - as lessee*

The Group leases certain staff hostel, offices and warehouse from non-related parties under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2017	2016
	\$	\$
Not later than one year	583,268	705,606
Later than one year but not later than five years	-	620,470
	583,268	1,326,076

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. Commitments (cont'd)

(b) Operating lease commitments - as lessor

The Group has entered into lease agreements on its investment property. The lease have an average tenure of between 6 to 20 years, varying terms escalation clauses (increases are made to reflect market rentals). The future aggregate minimum leases payments receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables are as follows:

	Group	
	2017	2016
	\$	\$
Not later than one year	–	1,368,939
Later than one year but not later than five years	–	5,375,323
Later than five years	–	141,136
	–	<u>6,885,398</u>

The Group has disposed its investment property in April 2017. Accordingly, operating lease commitment - as lessor is not disclosed.

(c) Capital commitments

	Group	
	2017	2016
	\$	\$
Capital expenditure in respect of:		
<i>Property, plant and equipment</i>		
- contracted for but not recognised in the financial statements	–	2,274,253
<i>Investment</i>		
- approved but not contracted for	<u>20,820,576</u>	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. Related party transactions

Some of the arrangement with related parties and the effects of these bases determined between the parties are reflected elsewhere in these financial statements. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

	Group	
	2017	2016
	\$	\$
Key management personnel compensation		
Directors of the Company		
- Salaries and related costs	483,320	224,000
- Employer's contribution to defined contribution plans	–	5,950
- Directors' fees	263,667	345,000
Directors of subsidiaries		
- Salaries and related costs	154,297	262,541
- Employer's contribution to defined contribution plans	14,280	24,345
- Directors' fees	14,493	26,876
Other key management personnel		
- Salaries and related costs	1,311,120	799,933
- Employer's contribution to defined contribution plans	62,984	45,090
	2,304,161	1,733,735

Total key management personnel compensation:

	Group	
	2017	2016
	\$	\$
- Salaries and related costs	2,226,897	1,658,350
- Employer's contribution to defined contribution plans	77,264	75,385
	2,304,161	1,733,735

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entities. All directors and certain managers are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

29. Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on a quarterly basis.

The following summary describes the operation in each of the Group's reportable segments:

(i) Investment

This segment relates to investment holding companies.

(ii) Door business

This relates to manufacture and distribution of doors, furniture and fittings, wood related products and supply and installation of doors and wood based flooring.

(iii) Property business

This relates to rental of premises/property and property development.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the chief operating decision maker. Segment assets consist of property, plant and equipment, property held-for-sale (2016: investment property), development property, available-for-sale financial assets, inventories, trade and other receivables, including gross amount due from customers for contract work and operating cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as income tax payable, deferred tax liabilities, shares with preferred rights and borrowings. Capital expenditure comprises additions to property, plant and equipment (Note 11), and investment property (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

29. Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows:

Business segments

	Investment \$	Door Business \$	Property Business \$	Total \$
For the financial year ended 31 March 2017				
Segment revenue				
Sales - external	–	44,261,839	1,386,194	45,648,033
Segment (loss)/profit	(3,237,504)	7,314,213	428,559	4,505,268
Other income				10,123,132
Finance cost				(1,240,901)
Profit before income tax				13,387,499
Income tax expense				(3,451,640)
Profit for the financial year				9,935,859
Assets				
Segment and consolidated total assets	29,317,045	41,220,207	53,149,403	123,686,655
Liabilities				
Segment liabilities	480,095	4,315,893	827,640	5,623,628
Borrowings				19,289,076
Current income tax liabilities				700,092
Deferred tax liabilities				4,002,860
Shares with preference rights				4,740,000
Consolidated total liabilities				34,355,656
Other segment items				
Capital expenditure	2,653,173	177,225	–	2,830,398
Depreciation of property, plant and equipment	116,302	914,259	12,399	1,042,960
Fair value gain on investment property	–	–	(8,848,240)	(8,848,240)
Inventories written down	–	177,669	–	177,669
Allowance for impairment of doubtful trade receivables	–	126,267	–	126,267
Write back of allowance for impairment of doubtful trade receivables	–	(27,759)	–	(27,759)
Impairment loss on available-for-sale financial assets	–	–	2,306	2,306
Bad debt written off	–	43,996	–	43,996
(Gain)/loss on disposal of property, plant and equipment	(56,260)	35,357	–	(20,903)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

29. Segment information (cont'd)

Business segments (cont'd)

	Investment \$	Door Business \$	Property Business \$	Total \$
For the financial year ended 31 March 2016				
Segment revenue				
Sales - external	–	52,927,663	1,319,604	54,247,267
Segment (loss)/profit	(1,777,296)	7,490,615	(1,159,012)	4,554,307
Other income				1,551,306
Finance cost				(1,277,513)
Profit before income tax				4,828,100
Income tax expense				(1,079,560)
Profit for the financial year				3,748,540
Assets				
Segment and consolidated total assets	29,209,370	41,019,898	42,626,217	112,855,485
Liabilities				
Segment liabilities	654,433	6,656,317	512,118	7,822,868
Borrowings				18,831,850
Current income tax liabilities				980,578
Deferred tax liabilities				1,072,555
Shares with preference rights				5,160,000
Consolidated total liabilities				33,867,851
Other segment items				
Capital expenditure	24,098	3,024,653	–	3,048,751
Depreciation of property, plant and equipment	86,817	673,861	46,644	807,322
Loans due from former subsidiaries written off	–	–	876,013	876,013
Fair value gain on investment property	–	–	(612,967)	(612,967)
Impairment loss on property, plant and equipment	–	416,263	–	416,263
Inventories written off	–	1,197,249	–	1,197,249
(Gain)/loss on disposal of property, plant and equipment	(18,921)	14,460	9,807	5,346

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

29. Segment information (cont'd)

Geographical information

The Group's three business segments operate in following geographical areas:

Singapore/Australia

The Company is headquartered in Singapore. The areas of operation mainly arise from support and installation of doors and wood based floorings, import and distribution of doors, locksets ironmongeries, furniture and fittings, wood related products, rental of premises, investment property and investment holding.

Malaysia/China/Vietnam/Hong Kong

The main activities are the manufacturing and supply of wood based doors, mouldings and floorings.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follow:

	Revenues		Non-current assets	
	2017	2016	2017	2016
	\$	\$	\$	\$
Singapore	6,519,658	13,024,510	6,787,204	4,437,543
Malaysia	10,414	–	7,089,803	7,860,135
China	4,865	30,166	648,241	838,276
Australia	1,386,194	1,370,542	–	26,486,179
Vietnam	–	–	6,643,612	6,998,426
United Kingdom	35,248,933	37,225,749	–	–
Republic of Ireland	2,247,344	2,596,300	–	–
United States of America	230,625	–	–	–
	45,648,033	54,247,267	21,168,860	46,620,559

Non-current assets presented above excludes financial assets.

Information about major customer

Revenue of approximately \$26,818,369 (2016: \$25,800,265) are derived from 2 (2016: 2) external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

<u>Customer</u>	<u>Attributable segments</u>	2017	2016
		\$	\$
Customer 1	Door Business	15,871,915	13,257,454
Customer 2	Door Business	10,946,454	12,542,811
		26,818,369	25,800,265

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments

(a) Financial instruments by category

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Available-for-sale financial assets	461	2,767	–	–
Loans and receivables (including cash and cash equivalents)	43,429,924	45,959,053	47,286,900	51,084,322
	43,430,385	45,961,820	47,286,900	51,084,322
Financial liabilities at amortised cost	29,643,097	31,770,334	5,220,095	5,780,741

(b) Financial risk management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are foreign exchange risk, interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is the Group's policy not to trade in derivative contracts.

(i) Foreign exchange risk

The Group has currency exposure arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities of the Group. The foreign currencies in which the Group's currency risk arise are mainly United State Dollars ("USD"), Malaysia Ringgit ("MYR"), Australia Dollars ("AUD") and Singapore Dollars ("SGD"). The Company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not have a policy to hedge its exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

	USD \$	MYR \$	SGD \$	AUD \$
Group				
2017				
Financial assets				
Trade and other receivables	9,758,536	–	2,170	–
Cash and cash equivalents	6,888,704	–	24,609	482,653
Amount owing by related companies	–	–	2,870,137	–
	16,647,240	–	2,896,916	482,653
Financial liabilities				
Trade and other payables	619,634	–	–	–
Shares with preference rights	–	4,740,000	–	–
Borrowings	840,132	–	–	–
Amount owing to holding company	–	–	20,578,447	–
Amount owing to related companies	9,980,797	5,008,884	945,492	–
	11,440,563	9,748,884	21,523,939	–
Net financial assets/(liabilities) denominated in foreign currency exposure	5,206,677	(9,748,884)	(18,627,023)	482,653
2016				
Financial assets				
Trade and other receivables	306,141	–	2,170	–
Cash and cash equivalents	2,405,302	–	26,968	341,158
Amount owing by related companies	–	–	6,589,910	–
	2,711,443	–	6,619,048	341,158
Financial liabilities				
Trade and other payables	364,005	–	1,461	–
Shares with preference rights	–	5,160,000	–	–
Borrowings	723,600	–	–	–
Amount owing to holding company	–	–	21,751,740	–
Amount owing to related companies	15,074,042	4,915,552	1,032,746	–
	16,161,647	10,075,552	22,785,947	–
Net financial (liabilities)/assets denominated in foreign currency exposure	(13,450,204)	(10,075,552)	(16,166,899)	341,158

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

	USD \$	MYR \$	AUD \$
Company			
2017			
Financial assets			
Trade and other receivables	8,983,924	–	–
Cash and bank balances	3,878,911	–	482,653
	12,862,835	–	482,653
Less: Financial liabilities			
Shares with preference rights (Note 21)	–	4,740,000	–
	12,862,839	(4,740,000)	482,653
Net financial assets/(liabilities) denominated in foreign currency exposure			
2016			
Financial assets			
Cash and bank balances	21,931	–	341,158
	21,931	–	341,158
Less: Financial liabilities			
Shares with preference rights (Note 21)	–	5,160,000	–
	21,931	(5,160,000)	341,158
Net financial (liabilities)/assets denominated in foreign currency exposure			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

Foreign exchange risk sensitivity

A 10% (2016: 10%) strengthening of the following foreign currencies against the relevant functional currencies of the Group's subsidiaries and the Company at the balance sheet date would increase/(decrease) the Group and the Company's profit after income tax approximately by the amounts shown as below. This analysis assumes that all other variables remain constant.

	Increase/(decrease) in profit after tax	
	2017 \$	2016 \$
Group		
USD/SGD	432,154	(1,116,367)
MYR/SGD	(809,157)	(836,271)
SGD/MYR	(1,546,043)	(1,341,853)
AUD/SGD	40,060	28,316
	Increase/(decrease) in loss after tax	
	2017 \$	2016 \$
Company		
USD/SGD	(1,067,616)	(1,820)
MYR/SGD	393,420	428,280
AUD/SGD	(40,060)	(28,316)

A 10% (2016: 10%) weakening of the above foreign currencies against the relevant functional currencies of the Group's subsidiaries and the Company would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in other countries mainly Malaysia, Australia, Vietnam and China. The Group's net investments in Malaysia, Australia, Vietnam and China are not hedged as currency positions in Malaysian Ringgit, Australian Dollars, and Renminbi are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(ii) Interest rate risk

The Group obtains additional financing through bank borrowings (interest bearing) and advances from directors (interest-free). The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 March 2017, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest in financial instruments subject to floating interest rates is repriced regularly. The other financial instruments of the Group and of the Company that are not included in the part (iii) are not subject to interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of the instruments that have floating rates. A 100 (2016: 100) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the possible change in the interest rates.

Interest rate sensitivity

If the interest rates had been 100 (2016: 100) basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 March 2017 would decrease/increase \$34,666 (2016: \$29,127). This was mainly attributable to the Group's exposure to interest rates on its floating rates borrowings (Note 22).

(iii) Liquidity risk

The Group and the Company monitors its liquidity risk and maintain a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors the Group's and Company's liquidity reserve, comprising cash and cash equivalents (Note 18) on the basis of expected cash flows.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

	On demand or within 1 year \$	Within 2 to 5 years \$	More than 5 years \$	Total \$
Group				
2017				
Trade and other payables	5,623,628	–	–	5,623,628
Shares with preference rights*	5,698,379	–	–	5,698,379
Interest bearing borrowings				
- Foreign currency loan against import (Floating rates)	840,132	–	–	840,132
- Term loan I (Floating rates)	224,793	966,260	4,227,386	5,418,439
- Term loan II (Fixed rates)	15,703,747	–	–	15,703,747
Finance lease obligations (Fixed rates)	22,919	72,988	15,393	111,300
	28,113,598	1,039,248	4,242,779	33,395,625

	On demand or within 1 year \$	Within 2 to 5 years \$	Total \$
2016			
Trade and other payables	7,822,868	–	7,822,868
Shares with preference rights*	6,203,298	–	6,203,298
Interest bearing borrowings			
- Foreign currency loan against import (Floating rates)	723,600	–	723,600
- Term loan I (Floating rates)	195,820	5,341,546	5,537,366
- Term loan II (Fixed rates)	776,906	15,730,810	16,507,716
Finance lease obligations (Fixed rates)	23,052	59,012	82,064
	15,745,544	21,131,368	36,876,912

Company

2017

Trade and other payables	480,095	–	480,095
Shares with preference rights**	5,277,200	–	5,277,200
	5,757,295	–	5,757,295

2016

Trade and other payables	654,433	–	654,433
Shares with preference rights**	5,744,800	–	5,744,800
	6,399,233	–	6,399,233

* Inclusive of cumulative dividend of RM0.1024, equivalent to \$0.0324 (2016: \$0.0352), per Class A ordinary share of KLWR on the basis that KPFB does not exercise the Put Option and continues to hold Class A shares until the Put Option expires and the liquidated damages of 10% of the total consideration (Note 21).

** This amount represents the aggregate of the consideration received for the disposal of the Class A ordinary shares of KLWR and the liquidated damages of 10% of the total consideration (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2017 \$	2016 \$
Company		
<i>On demand or not later than 1 year</i>		
Financial guarantees	<u>5,650,200</u>	<u>2,218,800</u>

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the financial statements of the Company for the financial years ended 31 March 2017 and 31 March 2016.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. It is the Group's policy that all customers whose wish is trade on credit terms are subject to credit verification procedures. Exposure to the credit risk is monitored on an ongoing basis.

At the balance sheet date:

- \$1,808,854 (2016: \$1,469,488) of the Group's trade receivables were due from 2 (2016: 2) major customers in door business segment, which supply building materials in the United Kingdom. \$15,871,915 and \$10,946,454 (2016: \$13,257,454 and \$12,542,811) representing 35% and 24% (2016: 24% and 23%) respectively of the Group's revenue are generated from these customers during the financial year.
- \$37,623 (2016: \$ 542,925) of the Group's gross amount due from customers for contract works were due from 1 (2016: 3) major customers in Door business segment, mainly are the turnkey contractors of the residential projects in Singapore.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instruments presented on the balance sheet and including the corporate guarantees issued by the Company to bank as disclosed in Note 26(a).

The credit term granted to trade receivables range from 0 days to 90 days (2016: 0 to 90 days) term. No interest is charged on the trade receivables balances.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Financial assets that are past due but not impaired

These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Past due but not impaired				
- Past due 0 to 3 months	793,391	150,495	-	-
- Past due between 3 to 6 months	79	193,745	-	-
- Past due over 6 months	1,737	75,902	-	-
	795,207	420,142	-	-

Financial assets that are past due and impaired

The Group's trade and other receivables that are impaired at the balance sheet date and the allowance for impairment losses are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>Trade receivables</u>				
Gross amounts	126,267	186,423	299,529	299,529
Less: Allowance for impairment losses	(126,267)	(186,423)	(299,529)	(299,529)
	-	-	-	-
<u>Other receivables</u>				
Gross amounts	7,200,000	7,200,000	8,419,869	8,421,470
Less: Allowance for impairment losses	(7,200,000)	(7,200,000)	(8,419,869)	(8,421,470)
	-	-	-	-

The movements in allowance for impairment loss are disclosed in Note 16.

Trade receivables that are individually determined to be impaired at the balance sheet date related to debtors that are in financial difficulties and have defaulted on payment as well as by reference to past default experience. Included in the Group's trade receivables balance are debtor with total carrying amount of \$795,207 (2016: \$420,142), which is past due but not impaired as there has not been a significant change in credit quality and the amount is still considered recoverable.

As at balance sheet date, the Company provided an allowance for impairment amounted to \$8,419,869 (2016: \$8,421,470) on advances to its subsidiaries (trade and non-trade) as disclosed in Note 16. These relate to subsidiaries which are incurring losses and deemed financially unable to repay.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

31. Fair values of assets and liabilities

(a) Fair value hierarchy

The table below analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

- (i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- (iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value measurements of assets and liabilities that are measured at fair value

There were no assets and liabilities that are measured at fair value at the balance sheet date except for investment property (Note 12), available-for-sale financial assets (Note 14) and property held-for-sale (Note 19).

The following table presents the level of fair value hierarchy for each class of assets measured at fair value on the balance sheet date:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurement				
Group				
2017				
Available-for-sale financial assets	461	–	–	461
Non-financial assets - property held-for-sale	–	36,594,000	–	36,594,000
2016				
Available-for-sale financial assets	2,767	–	–	2,767
Non-financial assets - investment property	–	–	26,470,925	26,470,925

(c) Movements in Level 3 assets measured at fair value

	Investment property	
	2017 \$	2016 \$
Net fair value gain recognised in profit or loss	8,848,240	612,967

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

31. Fair values of assets and liabilities (cont'd)

(d) Transfer between fair value hierarchy

Transfer into or out of Level 3

The following table shows transfer from Level 3 to Level 2 of the fair value hierarchy for asset which is recorded at fair value:

	Group	
	2017 Level 2 \$	2016 Level 3 \$
Investment property	<u>36,594,000</u>	<u>26,470,925</u>

The above investment property was transferred from Level 3 to Level 2 as a contract of sale with a third party has been entered into, and accordingly it is classified as held-for-sale at the balance sheet date (Note 19).

(e) Valuation process applied by the Group

The fair value of investment property is determined by external, independent property valuer, having appropriate professional qualifications and experience in the category of property being valued at the end of every financial year. For valuation performed by external valuers, management considers the appropriateness of the valuation technique and assumptions applied by the external valuers. The measurement of fair values of other assets and liabilities within Level 3 fair value hierarchy is performed by the Group's finance department on a quarterly basis. If third party quotes or pricing information are used to measure fair value, the finance team assesses the evidence obtained from the third parties to assess if such valuations meet the FRS and the fair value level hierarchy the measurement should be classified in. The valuation reports and changes in fair value measurements are analysed and reported to the Group Financial Controller regularly. Significant valuation issues are reported to the Audit Committee.

(f) Fair value of financial instruments by classes that are not carried at fair value

The carrying amounts of financial assets and financial liabilities reported on the balance sheet are reasonable approximation of their fair values, either due to their short term nature and the effect of discounting is immaterial, that they are floating rate instruments that are repriced to market interest rate on or near the balance sheet date, or that there are no significant changes in the interest rates available to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

32. Capital management

The Group's policy is to maintain adequate capital based to ensure continuity as a going concern and maintain an optimal capital structure for expansion plan of the group. The Group funds its operations and growth through a mix of equity and debts by maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

Management monitors capital based on gearing ratio to ensure compliance with all borrowing covenants.

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 cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Total borrowings and payables	29,652,704	31,814,718	5,220,095	5,814,433
Cash and cash equivalents	(28,079,850)	(35,945,714)	(17,525,308)	(28,492,987)
Net debt/(surplus)	1,572,854	(4,130,996)	(12,305,213)	(22,678,554)
Total equity	89,330,999	78,987,634	73,523,580	74,376,598
Total capital	90,903,853	74,856,638	61,218,367	51,698,044
Gearing ratio	0.017	N.M	N.M	N.M

N.M - Not meaningful

The Board of Directors reviews the capital structure on the annual basis. As part of this review, the directors considers the cost of capital and the risk associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33. Legal claims and contingent liabilities

On 7 September 2015, a writ of summons and statement of claim was issued against Mr Chan Ewe Teik ("Mr Chan") by the Company and filed in the High Court. The Company was claiming for the sum of \$7.0 million, paid as a refundable commitment fee to Straitsworld Advisory Limited ("Straitsworld") under a term sheet in respect of a property development project in Zhangye Gansu, the People's Republic of China, and due to the Company under a subsequent term sheet, Vietnam Term Sheet, under which, inter alia, Mr Chan undertook to fulfil the payment obligation of Straitsworld.

On 30 September 2015, Mr Chan had filed a defence and counterclaim. Mr Chan, inter alia, denied the claims of the Company and has counterclaimed for a total sum of \$3.45 million (including an alleged loan of \$0.75 million) which he has alleged are owing to him from the Company.

In response, the Company has filed a reply and defence to counterclaim on 9 October 2015, in which the Company has expressly denied all the allegations set out in Mr Chan's counterclaims and has put Mr Chan to strict proof of each of his counterclaims.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

33. Legal claims and contingent liabilities (cont'd)

On 26 November 2015, the Company announced that it had withdrawn the action filed against Mr Chan for the repayment of \$7 million and that the Company filed a writ of summons and statement of claim against Straitsworld and Mr Chan in the High Court. The Company is claiming for the following:

- (a) the payment of \$7.0 million;
- (b) alternatively, damages to be assessed;
- (c) interests and costs; and
- (d) such further or other relief as the Court deems fit.

On 18 December 2015, Straitsworld and Mr Chan had filed a defence and counterclaim. They denied the claims of the Company and has sought for, inter alia, a declaration that the Project Happy Term sheet be rescinded against Mr Chan and damages.

On 6 April 2016, the Company had filed a reply and defence to counterclaim denying Straitsworld's and Mr Chan's Counterclaims.

On 25 April 2016, the Court dismissed Mr. Chan's application for summary judgement and granted the Company unconditional leave to defend Mr Chan's claim for the alleged loan of \$0.75 million.

On 3 May 2016, the Company had filed an application for summary judgement against Straitsworld and Mr Chan for the sum of \$7.0 million, interests and costs.

On 18 October 2016, the High Court has granted summary judgement in favour of the Company for the sum of \$7.0 million, interest on the sum of \$7.0 million at the rate of 5.33% per annum from 21 November 2015 and costs of \$10,000 excluding disbursements, which are to be agreed if not taxed.

Mr Chan and Straitsworld have lodged an appeal against the court's decision and the appeal is presently scheduled to be heard on a date between 25 September 2017 and 3 October 2017.

On 6 January 2017, Mr Chan discontinued part of his counterclaim amounting to \$2/\$2.2 million, with costs to be agreed if not taxed.

As at 31 March 2017, the amounts owing by Mr Chan and Straitsworld to the Company pursuant to the summary judgement amounted to \$7,527,510.81. The Company has commenced various enforcement proceedings against Mr Chan to recover the amounts owing.

The amount of \$7.0 million has been fully provided for in the financial statements of the Group and the Company during the financial year ended 31 March 2015. In the event that there is any recovery of the fees, adjustment may have to be made in the financial statements of the Group.

With respect to the counterclaims filed against the Company, the directors of the Company, based on legal advice obtained, are of the view that there are no liabilities required to be recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

34. Investigation by the Commercial Affairs Department

On 19 November 2015, the Company received a notice from the Commercial Affairs Department (“CAD”) of Singapore Police Force which states that CAD is investigating an offence under the Securities and Futures Act (Chapter 289 of Singapore) pursuant to the provisions of the Criminal Procedure Code 2012 (Chapter 68, 2012 Revised Edition). For the purpose of the investigation, CAD requested access to documents and information from the Company and its subsidiaries for the period from 1 January 2012 until the date when the notice was served.

The Company’s then managing director and then Group Financial Controller were interviewed by CAD officers in relation to its investigation. Subsequently, the Group Finance Manager and Group Accountant of the Company were interviewed by the CAD.

The directors of the Company have advised that the CAD has not provided any details of its investigation, and that there had been no further updates from CAD since the serving of the notice, the submission of the documents and the aforementioned interviews of the consultant and employees of the Company. As at the date of these financial statements, the investigation is on-going. The business and day-to-day operations of the Group are not affected by the investigation and have continued as normal. The directors of the Company are of the view that the investigation should not have material financial impact on the Group’s and the Company’s financial statements.

35. Authorisation of financial statements

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors dated 6 July 2017.

SIZE OF SHAREHOLDINGS

As at 15 June 2017

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	60	1.94	932	0.00
100 – 1,000	120	3.88	104,119	0.00
1,001 – 10,000	465	15.04	2,843,607	0.05
10,001 – 1,000,000	2,065	66.79	485,219,684	9.02
1,000,001 and above	382	12.35	4,892,387,974	90.93
	3,092	100	5,380,556,316	100

Number of shares : 5,380,556,316
 Class of shares : ordinary shares
 Voting rights : one vote per share

Based on information available to the Company as at 15 June 2017, approximately 69 % of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 15 JUNE 2017

S/No.	Name	No. of Shares	Percentage
1	RHB SECURITIES SINGAPORE PTE LTD	1,173,935,000	21.82
2	UOB KAY HIAN PRIVATE LIMITED	920,468,500	17.10
3	CITIBANK NOMINEES SINGAPORE PTE LTD	239,258,200	4.44
4	KOH KOW TEE MICHAEL	77,289,000	1.44
5	MAYBANK KIM ENG SECS PTE LTD	71,015,900	1.32
6	DBS NOMINEES PTE LTD	62,596,600	1.16
7	TAN MENG CHIANG	62,205,000	1.16
8	OCBC SECURITIES PRIVATE LTD	57,482,000	1.07
9	TAN POH GEOK	48,000,000	0.89
10	CIMB SECURITIES (SINGAPORE) PTE LTD	46,723,002	0.87
11	HENG YONG SENG	43,000,000	0.80
12	RAFFLES NOMINEES (PTE) LTD	40,106,100	0.75
13	LAU SONG CHIN	39,948,000	0.74
14	TAY YONG HUA	37,000,675	0.69
15	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	35,120,900	0.65
16	CHEN MIN I OR CHEN CHIH-YUAN	35,000,000	0.65
17	TAN SOO CHONG	33,000,000	0.61
18	NG THIAN HOO	31,000,000	0.58
19	PHILLIP SECURITIES PTE LTD	30,470,707	0.57
20	LIEW WING ONN	30,106,000	0.56
		3,113,725,584	57.87

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares	
	Direct Int	Deemed Int
Pengiran Muda Abdul Qawi	–	500,000,000 [#]
Sunny Wealth Limited ¹	–	1,044,185,000
Wong Ben Koon ²	121,000,000	1,044,185,000

[#] Interest registered under UOB Kay Hian Pte Ltd.

¹ Sunny Wealth Limited's share are held by its nominee, RHB Securities Singapore Pte Ltd.

² Mr Wong Ben Koon is the sole shareholder of Sunny Wealth Limited, a company incorporated in the British Virgin Islands. Mr Wong Ben Koon is deemed to have an interest in all shares held by Sunny Wealth Limited.

SUMMARY OF WARRANT HOLDINGS BY SIZE

As at 15 June 2017

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Outstanding Warrants
1 to 99	29	2.24	180	0.00
100 to 1,000	5	0.39	3,293	0.00
1,001 to 10,000	53	4.09	332,091	0.01
10,001 to 1,000,000	1,002	77.31	235,892,038	9.67
1,000,001 AND ABOVE	207	15.97	2,204,050,556	90.32
TOTAL	1,296	100	2,440,278,158	100

TOP 20 WARRANT HOLDERS AS AT 15 JUNE 2017

No.	Name of Warrant Holders	No. of Warrants	% of Total Outstanding Warrants
1	UOB KAY HIAN PTE LTD	368,808,000	15.11
2	LEE BOON TECK	350,000,000	14.34
3	LEE PENG SOON	83,405,000	3.42
4	CITIBANK NOMINEES SINGAPORE PTE LTD	67,561,000	2.77
5	NG GUAN CHYE	55,060,000	2.26
6	HO WEI CHYI (HE WEIQI)	53,797,000	2.20
7	MAYBANK KIM ENG SECURITIES PTE LTD	49,000,000	2.01
8	OH HOCK HAI ALVIN	47,500,000	1.95
9	LAU SONG CHIN	39,918,000	1.64
10	GOH WANG TAI	38,788,000	1.59
11	BAY KIM TEE	37,925,592	1.55
12	CHEN SER SHEE @ CHAN CHEE CHIONG	37,180,000	1.52
13	TAN KIM YEOW	34,250,000	1.40
14	CHAN AH NUI @ CHAN CHEE FOOK	33,310,000	1.37
15	KOH KOW TEE MICHAEL	30,000,000	1.23
16	CIMB SECURITIES (SINGAPORE) PTE LTD	29,889,001	1.23
17	TAN MENG CHIANG	28,110,000	1.15
18	DOMINIC JUDE CHRISTIAN PETERS	27,825,000	1.14
19	PATRICIA TAN POH GEK (PATRICIA CHEN BAoyu)	25,001,000	1.02
20	OCBC SECURITIES PRIVATE LTD	24,161,000	0.99
	TOTAL	1,461,488,593	59.89

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KLV HOLDINGS LIMITED will be held at 2 Kallang Ave, #07-03 CT Hub, Singapore 339407 on Friday, 28 July 2017 at 10 a.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 March 2017 and the Auditors' Report thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of S\$263,667 for the financial year ended 31 March 2017 (2016: S\$188,000). **(Resolution 2)**
3. To approve the payment of Directors' fees of S\$211,000 for the financial year ending 31 March 2018, to be paid quarterly in arrears. **(Resolution 3)**
4. To re-elect Pengiran Muda Abdul Qawi, a Director retiring under Article 109 of the Company's Constitution. [See Explanatory Note (a)] **(Resolution 4)**
5. To re-elect the following directors retiring under Article 119 of the Company's Constitution:
 - a. Ms Wong Gloria [See Explanatory Note (b)] **(Resolution 5)**
 - b. Mr Lam Chi Yun [See Explanatory Note (c)] **(Resolution 6)**
 - c. Ms Lam Kwan [See Explanatory Note (d)] **(Resolution 7)**
 - d. Mr Lim Han Siang Peter [See Explanatory Note (e)] **(Resolution 8)**
 - e. Mr Chan Ka Kin Kevin [See Explanatory Note (f)] **(Resolution 9)**
6. To note that Mr Wong Joo Wan will be retiring pursuant to Article 109 of the Company's Constitution and he will not be seeking re-appointment at this Annual General Meeting.
7. To re-appoint Messrs Baker Tilly TFW LLP as the Company's Independent Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 10)**
8. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

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

9. "SHARE ISSUE MANDATE"

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst (the "Rules of the Catalyst") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

- a. (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, "instruments") that may 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

NOTICE OF ANNUAL GENERAL MEETING

- b. (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:

- (i) 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) does not exceed hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:
 - (1) new shares arising from the conversion or exercise of any convertible securities;
 - (2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of the Catalist; and
 - (3) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of the Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue 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 the earlier." [See Explanatory Note (g)] **(Resolution 11)**

By Order of the Board
Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 12 July 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
3. The instrument appointing a proxy or proxies, duly executed must be deposited at the Registered Office of the Company at 39 Kaki Bukit Industrial Terrace, Singapore 416119 not less than forty-eight (48) hours before the time fixed for the Annual General Meeting.
4. 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 official or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

* A Relevant Intermediary is:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

EXPLANATORY NOTES:

- (a) **Resolution 4** is to re-elect Pengiran Muda Abdul Qawi as a Director of the Company. Pengiran Muda Abdul Qawi will, upon re-election, remain as a Non-Executive Director and the Chairman of the Board of Directors of the Company.
- (b) **Resolution 5** is to re-elect Ms Wong Gloria as a Director of the Company. Ms Wong Gloria will, upon re-election, remain as an Executive Director of the Company.
- (c) **Resolution 6** is to re-elect Mr Lam Chi Yun as a Director of the Company. Mr Lam Chi Yun will, upon re-election, remain as an Executive Director of the Company.
- (d) **Resolution 7** is to re-elect Ms Lam Kwan as a Director of the Company. Ms Lam Kwan will, upon re-election, remain as an Executive Director of the Company.
- (e) **Resolution 8** is to re-elect Mr Lim Han Siang Peter as a Director of the Company. Mr Lim will, upon re-election, remain as an Independent Director and the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company.
- (f) **Resolution 9** is to re-elect Mr Chan Ka Kin Kevin as a Director of the Company. Mr Chan will, upon re-election, remain as an Independent Director and the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Company.
- (g) **Resolution 11** is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 11 (including shares to be issued in pursuance of instruments made or granted) shall not exceed hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of fifty per cent (50%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 11, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 11, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of the Catalist of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**KLW HOLDINGS LIMITED**

(Incorporated in Singapore)
(Registration No. 199504141D)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport Number/ Company Regn. No.)
of _____ (Address)

being a member/members of KLW Holdings Limited (the "Company"), hereby appoint:

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

and/or failing him/her (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company ("Meeting") to be held at 2 Kallang Ave, #07-03 CT Hub, Singapore 339407 on Friday, 28 July 2017 at 10 a.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of Meeting in accordance with my/our directions as indicated hereunder. Where no such direction is given, the proxy/proxies may vote or abstain from voting at his/their discretion, on any matter at the Meeting or at any adjournment thereof.

No.	Resolutions relating to:	For *	Against *
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 March 2017 and the Auditors' Report thereon (Resolution 1)		
2.	Approval of Directors' Fees of S\$263,667 for the financial year ended 31 March 2017 (Resolution 2)		
3.	Approval of Directors' fees of S\$211,000 for the financial year ending 31 March 2018, to be paid quarterly in arrears (Resolution 3)		
4.	Re-election of Pengiran Muda Abdul Gawi as a Director retiring under Article 109 of the Company's Constitution (Resolution 4)		
5.	Re-election of Ms Wong Gloria as a Director retiring under Article 119 of the Company's Constitution (Resolution 5)		
6.	Re-election of Mr Lam Chi Yun as a Director retiring under Article 119 of the Company's Constitution (Resolution 6)		
7.	Re-election of Ms Lam Kwan as a Director retiring under Article 119 of the Company's Constitution (Resolution 7)		
8.	Re-election of Mr Lim Han Siang Peter as a Director retiring under Article 119 of the Company's Constitution (Resolution 8)		
9.	Re-election of Mr Chan Ka Kin Kevin as a Director retiring under Article 119 of the Company's Constitution (Resolution 9)		
10.	Re-appointment of Messrs Baker Tilly TFW LLP as auditors (Resolution 10)		
	SPECIAL BUSINESS		
11.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 (Resolution 11)		

* If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

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

Signature(s) of member(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.



Notes:

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 81SF of the Securities and Futures Act, Chapter 289 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 form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 39 Kaki Bukit Industrial Terrace, Singapore 416119 not less than 48 hours before the time set for the meeting.
4. Where a member (other than a Relevant Intermediary*) appointing more than one proxy shall specify the percentage of shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. 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 official or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
8. 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 meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 July 2017.

BOARD OF DIRECTORS

Pengiran Muda Abdul Qawi

Non-Executive Chairman

Mr Lim Han Siang Peter

Independent Director

Mr Wong Joo Wan

Independent Director

Mr Chan Ka Kin Kevin

Independent Director

Ms Wong Gloria

Executive Director

Mr Lam Chi Yun

Executive Director

Ms Lam Kwan

Executive Director

COMPANY SECRETARY

Mr Abdul Jabbar Bin Karam Din Rajah & Tann Singapore LLP

9 Battery Road #25-01
Singapore 049910

REGISTERED OFFICE

39 Kaki Bukit Industrial Terrace
Singapore 416119
Telephone: 6754 1854
Fax: 6752 9908
Website: www.klw.com.sg

REGISTRAR AND SHARE TRANSFER OFFICE

Intertrust Singapore Corporate Services Pte. Ltd.

77 Robinson Road
#13-00 Robinson 77
Singapore 068896

EXTERNAL AUDITOR

Baker Tilly TFW LLP

(Registered with ACRA)
Public Accountants and Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-in-charge: Mr Khor Boon Hong
(Appointed with effect from the financial year ended 31 March 2016)

INTERNAL AUDITOR

BDO LLP

600 North Bridge Road #23-01
Parkview Square
Singapore 188778

Partner-in-charge: Mr Willy Leow
Year of appointment: 2016

SPONSOR

R & T Corporate Services Pte. Ltd.

9 Battery Road #25-01
Singapore 049910

Registered Professional: Mr Howard Cheam Heng Haw
Year of appointment: 2016

BANKERS

CIMB Bank Berhad

50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

HSBC Bank Malaysia Berhad

2nd Floor, No 46
Jalan Molek 1/10, Taman Molek
81100 Johor Bahru
Malaysia



KLW HOLDINGS LIMITED

Company Registration No. 199504141D

2 Kallang Avenue, CT Hub #07-03, Singapore 339407

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