



KTL GLOBAL LIMITED

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

RESPONSE TO QUERIES FROM SGX-ST ON THE ANNOUNCEMENT OF UNAUDITED FINANCIAL STATEMENTS FOR THIRD QUARTER ENDED 31 MARCH 2018

The Board of Directors (the "**Board**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in its e-mail dated 10 May 2018 and would like to provide further information in relation to the Company's announcement of its unaudited financial statements for the third quarter ended 31 March 2018 on 2 May 2018 (the "**Announcement**"):

1. With reference to paragraph 1(a)(i) on page 1 of the financial results, it is noted that the depreciation of property, plant and equipment decreased by approximately S\$0.7 million in 3Q 2018 as compared to 3Q 2017 and by approximately S\$1.9 million in 9M 2018 as compared to 9M 2017. In this regard, please clarify the explanation on page 10 of the financial results, that one of the reasons attributable to the decrease in administrative expenses for 3Q 2018 and 9M 2018 being lower than 3Q 2017 and 9M 2017 respectively, was due to a decrease in depreciation of S\$0.3 million.

Response

The Company wishes to clarify that paragraph 1(a)(i) on page 1 of the Announcement showed the total depreciation expenses of which a portion was classified as cost of sales. On the other hand, the depreciation referred to in the explanation on page 10 related to depreciation which was classified under administration expenses, which had decreased from S\$0.8 million in 9M 2017 to S\$0.5 million in 9M 2018.

2. It is noted that the Group is in a negative working capital position of approximately S\$18.1 million, net liability position of approximately S\$7.8 million, loss net of tax for 9M 2018 of approximately S\$9.9 million and net cash flows used in operating activities of approximately S\$3.7 million as at 31 March 2018. In this regard, please provide the Board's opinion and the bases for its views, on the following:-
 - (i) The ability of the Group and the Company in meeting its short term debt obligations as and when they fall due; and
 - (ii) The ability of the Group and the Company to operate as a going concern.

Response

The Board is of the opinion that the Group and the Company are able to meet their short-term debt obligations as and when they fall due and are able to continue to operate as a going concern for the following reasons:

- (i) The Group had implemented several cost-cutting initiatives and significant reductions in inventories were effected in the financial years ended 30 June 2016 and 30 June 2017 and ending 30 June 2018;
- (ii) The Group had concluded its lease arrangement with its previous landlord (please refer to the announcement on 5 April 2018) and achieved a significant overall reduction in rental expenses in Singapore by more than 40% monthly;
- (iii) Barring any further deterioration of the oil and gas market, the Group is cautiously confident of generating sufficient operating cash flows to meet its working capital requirement needs, taking into consideration its current order book;

- (iv) The Company had, on 16 August 2017, entered into a sale and purchase agreement with Kwon Sung Sil for the disposal of 12,000 shares of common stock of Dae Kwang Co. Ltd. for a consideration of USD1.5 million. The disposal was completed on 8 March 2018 and the balance consideration received contributed to the Group's working capital;
 - (v) The Group has the option of divesting its investment properties as and when required;
 - (vi) The Group is in the process of obtaining a waiver from the banks for the technical breach of financial covenants for some of its loan facilities for the financial years ending 30 June 2018 and 30 June 2019, in order for the banks to continue extending their loan facilities to the Group; and
 - (vii) The Company's shareholders, Tan Tock Han, Tan Kheng Yeow and Tan Kheng Kuan, have provided a letter confirming that they are willing and able to provide continuing financial support to the Group to enable it to operate as a going concern and also to enable it to meet its obligations for at least 12 months from 30 June 2017. Such financial support shall include not drawing or drawing partial salaries should the Group not have sufficient funds to pay its creditors in full.
3. It is noted that there has been an increase in the loan from directors from approximately S\$1 million as at 30 June 2017 to approximately S\$6.7 million as at 31 March 2018. Please clarify the (i) reason(s) for the increase; (ii) the terms of such loan from directors and (iii) the proposed usage of proceeds from the loan from directors.

Response

- (i) The increase in loan from directors to S\$6.7 million as at 31 March 2018 was mainly to finance the working capital needs of the Group. The loans were granted pursuant to the letter of financial support provided by Tan Tock Han, Tan Kheng Yeow and Tan Kheng Kuan (as mentioned above).
- (ii) The loans from directors were interest-free and repayable in full on a date agreed between the lender and the Company, subject to review and approval by the Audit Committee, taking into account the financial position of the Group.
- (iii) The proceeds from the loans from directors were mainly used for repayment of bank borrowings, payments to suppliers and general operating working capital.

BY ORDER OF THE BOARD

Tan Kheng Kuan
Chief Executive Officer
11 May 2018