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 FOURTH QUARTER AND TWELVE MONTHS ENDED 30 JUNE 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 14 September 2018 and would like to provide further information in relation to the Company's announcement of its unaudited financial statements for the fourth quarter and twelve months ended 30 June 2018 on 13 August 2018 (the "**Announcement**"):

1. It is noted that the Group is in a negative working capital position, negative equity position, with a loss net of tax for the 12 months ended 30 June 2018 of approximately S$12.48 million and net cash flows used in operating activities of approximately S$2.797 million for the 12 months ended 30 June 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 going concerns.

   In this regard, the SGXNet announcement on 11 May 2018 stated amongst others that, "*The Company's shareholders, Tan Tock Han, Tan Kheng Yeow and Tan Kheng Kuan had 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.*" (the "**Financial Support**")

   Please confirm as to whether the Financial Support has been extended. If yes, please provide the key details of the Financial Support.

   <u>Response</u>

   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 going concerns 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 12-month period ended 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 had, on 14 August 2018, received a refund of withholding tax from India, amounting to US$0.1 million and this had contributed to the Group's working capital;

(vii) 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 period ending 31 December 2018, in order for the banks to continue extending their loan facilities to the Group; and

(viii) The Company's shareholders, Tan Tock Han 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 18 months from 30 June 2018. Such financial support shall include not drawing or drawing partial salaries should the Group not have sufficient funds to pay its creditors in full.

As stated above, the Company's shareholders, Tan Tock Han and Tan Kheng Kuan, have extended the Financial Support for at least 18 months from 30 June 2018.

2. 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$7.659 million as at 30 June 2018. Please clarify the:-

(i) reason(s) for the increase;

(ii) the terms of such loan from directors; and

(iii) the proposed uses/usage of proceeds from the loan from directors.

Response

(i) The increase in loan from directors to S$7.66 million as at 30 June 2018 was mainly to finance the working capital needs of the Group. The loans were granted pursuant to the Financial Support.

(ii) Save for a loan of S$2.0 million which bears interest at the rate of 1.5% per annum above UOB swap rate, 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. The aforesaid interest rate for the S$2.0 million loan is based on the interest rate payable by the director to obtain funding.

(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
15 September 2018