



**KLW HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199504141D)

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**RESPONSE TO RELEVANT AND SUBSTANTIAL QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING 2020**

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1. The Board of Directors (the “**Board**”) of KLW Holdings Limited (the “**Company**” or “**KLW**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions ahead of the Company’s 2020 Annual General Meeting (“**AGM**”) to be convened and held by way of electronic means on 29 September 2020 at 10.00am.
2. The Board is pleased to provide its responses to the questions in relation to relevant and substantial matters received from shareholders, as set out in the appendix hereto. Due to the overlapping nature of some questions received, the Company has grouped similar questions based on certain key topics and provided its responses on such key topics in the appendix hereto.
3. Please note that the questions and responses should be read in conjunction with the Annual Report for the financial year ended 31 March 2020 along with the Company’s business update of 11 September 2020.

**BY ORDER OF THE BOARD**

KLW Holdings Limited

Gloria Wong  
Executive Director  
28 September 2020

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*This announcement has been prepared by the Company and its contents have 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 announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

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**APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

S/N	Questions	Responses
<b>Board matters: Directors' remuneration and performance, Board composition</b>		
1.	How does the Company justify the increase and remuneration to the directors when the Company is incurring losses for the last 3 years? Can the Board consider tying Directors fees to financial performance?	<p>In arriving at the remuneration package for the Executive Directors, the remuneration committee ("<b>RC</b>") had taken into account the following:</p> <p>(a) various cost cutting initiatives within our Group spearheaded by the Executive Directors, such as improving our processes and operational efficiency and the monetisation of non-core assets. Such initiatives include, the current restructuring of our manufacturing subsidiary in China; the disposal of an unused factory in Vietnam resulting in a gain from the sale; the streamlining of our organisational structure through the removal of dormant entities; and the disposal of Flinders property in Melbourne for a profit.</p> <p>(b) industry benchmarks and the level of remuneration in other comparable companies. In view of the foregoing</p> <p>Director's fees for the Non-Executive Chairman and Independent Directors have not changed since FY2018.</p> <p>Remuneration for the non-executive and Independent Directors is based broadly on the guidelines of the Singapore Institute of Directors, taking into account their contributions to the Company, and remains subject to shareholders' approval at annual general meetings.</p>
2.	Can the management consider being paid partly in stock options to align their interests with shareholders?	We remain very much focused on placing KLW on a path to sustainable growth and will not rule out the possibility of providing stock options for employees as part of their remuneration package in the future.
3.	Ms Gloria Wong is currently the Executive Director of 2 listed companies, one of which is listed on the Hong Kong Stock Exchange and is undergoing liquidation. As the Company has been incurring losses for the last 3 years, why is Ms Gloria Wong the right person to run KLW?	<p>Ms Gloria Wong ("<b>Ms Wong</b>" or "<b>Gloria</b>") was first appointed Executive Director of the Company on 1 August 2016. The Company has been informed that with effect from 5 August 2020, Ms Wong has resigned as Executive Director of Prosperity International Holdings (HK) Limited (which is listed on the Hong Kong Stock Exchange).</p> <p>Under the Report on Corporate Governance, it was disclosed on page 25 of our FY2020 annual report that joint provisional liquidators have been appointed for the purpose of restructuring Prosperity International Holdings (HK) Limited. The Company is not in a position to comment further on matters pertaining to Prosperity International Holdings (HK) as it is not a related party.</p> <p>The Board is of the view that Ms Wong has been instrumental in leading the Company with the aim of returning to sustainable growth, with her spearheading the various initiatives by the Company as set out in the Company's response to Question 1 above. Ms Wong has been and will continue to be supported by a fully qualified and equipped professional management team in relation to the day to day operational matters of the Group.</p>

S/N	Questions	Responses
4.	How much time do the directors spend locally and overseas? Please provide a summary of travelling expenses charged to KLV and business generated by them during overseas trips. How many directors are based locally and how many are based overseas?	<p>Of the 7 Directors, 6 are based overseas and 1 is based in Singapore.</p> <p>Prior to the COVID-19 pandemic and the implementation of movement control measures by various countries in 2020, the Directors would periodically travel to Singapore, Malaysia and the People's Republic of China to visit the Group's various operational sites and attend on-site meetings. Since the implementation of such movement control orders, travelling has ceased and as such, the travelling expenses incurred for the coming financial year may not be material.</p> <p>While it is difficult to attribute or co-relate business development and travel activity to sales or revenue generated. Shareholders may wish to refer to page 121 of Annual Report FY2020 which sets out the Group's geographical information in terms of Group revenues and non-current assets. It shows that the bulk of the Group's revenue came from customers located overseas. Notwithstanding that it is not the Company's policy to provide shareholders with a summary of travelling expenses, the travel expenses incurred as a proportion of our Group revenue for FY 2020 and FY 2019 were not material.</p>
5.	Please provide information on the relationship between substantial shareholder Lee Han Peng and the current management of the company and why the largest substantial shareholder has not been given a seat on the Board.	<p>In relation to Mr Lee Han Peng, he holds 12.36% of the total issued shares in the Company. To the best of the Company's knowledge and based on inquiries duly made, Mr Lee Han Peng is a private investor who is not related to anyone on the Board or the management team and has not requested for a seat on the Board.</p>
<b>Proposed change of name</b>		
6.	What is the rationale for the name change, which will tie up resources which can be better used to turn the company around?	<p>We have been considering a change of name for some time. Under the proposed new name "HS Optimus Holdings Limited", Optimus means best in Latin, an ideal which the Group subscribes to in its business. The Group also seeks high standards in its pursuit of the best, hence the initials HS. This renewed focus on excellence underscores our determination to turn our fortunes around and chart a path to a sustainable growth.</p> <p>Further details on the rationale for the change of name can be found on pages 25 to 26 of the appendix to the Notice of AGM dated 7 September 2020.</p>
<b>Dividend policy and share buyback</b>		
7.	Will the company consider declaring a dividend policy or buying back shares from the open market to	<p>In determining any dividend proposal or share buyback proposal, we will take into consideration our aim to return to sustainable growth, cash position, projected capital requirements for business growth and other relevant factors before committing to a proposal or plan to do so, in accordance with prevailing legal requirements.</p>

S/N	Questions	Responses
	shore up the share price?	<p>In view of our cumulative financial performance over the years, there are no immediate plans for a dividend policy or share buyback.</p> <p>Please refer to the Appendix to the Notice of AGM dated 7 September 2020 for more information on the proposed renewal of share purchase mandate.</p>
<b>Matters pertaining to the Group's current business plans and operations</b>		
8.	How is the Indonesian development project going? Will there be a need to undertake a capital raising exercise any time soon?	As disclosed in the FY2020 annual report, the Company and our joint venture partners in Jakarta are in the process of applying for various permits and licences for the development of the land parcels. Our view of the immediate outlook for the property market in Jakarta and for the Indonesian economy as a whole remains uncertain, given the recent spread of cases and lockdown resulting from the Covid-19 pandemic. The Company will provide further updates to shareholders via SGXNET as and when there are material developments.
9.	Has there been any previous relationship between the management team from HK and the JV partners in Indonesia? How does the Company plan to finance this development?	<p>The Company's joint venture partner in Indonesia is PT Codefin, a real estate developer in Jakarta. Prosperity International Holdings (HK) Limited, had on September 2015 acquired a 75% effective interest on a development in Indonesia for development with an indirect subsidiary of PT Codefin. Notwithstanding the foregoing, Prosperity International Holdings (HK) Limited is not in any way involved in our real estate project in Indonesia. The Company has made due inquiries and has no reason to believe that Prosperity International Holdings (HK) Limited will be involved in the Jakarta project.</p> <p>The Company would also refer shareholders to the Company's announcements dated 1 March 2017, 24 August 2017, 27 September 2017, 2 November 2017, 2 March 2018 and 15 November 2018 in which the Company disclosed that none of the directors or controlling shareholders of the Company has any interest, direct or indirect in the Land Acquisition (as defined in such announcements), other than through their respective shareholding interests in the Company (if any).</p> <p>In relation to the financing of the development, we are currently in the process of applying for various permits and licences for the development of the land parcels, and are mindful of the risks and difficulties that will be faced given the uncertain situation made worse by the spreading pandemic that has yet to be brought under control. The Company will provide further updates to shareholders via SGXNET as and when there are material developments.</p>
10.	The 2020 annual report states that KLR has exposure to the American markets. Home building is booming in the US at the moment. Is KLR	As disclosed in the FY2019 annual report, we had intended to renew our focus on the US market and had shortlisted some wholesalers to work with for our Doors business. Unfortunately, these plans were delayed by the outbreak of Covid-19. We will revisit these plans when the Covid-19 situation in the US is brought under control.

S/N	Questions	Responses
	benefiting from this upturn?	
11.	Lumber prices in the US have gone up substantially. How is this affecting KLV since it gets most of its supply of wood from the US? What is being done to ease this cost pressure?	The Company had disclosed in the FY2020 results announcement on 10 July 2020 that it will continue to streamline its operational processes, restructure, cease non-performing units and lower cost structure wherever possible with a view to improve productivity and bringing down costs. The Group's factory in China had experienced a combination of weak customer demand and escalating costs for raw materials imported from the United States into China and that the Group was committed to restructuring its manufacturing subsidiary in China, as a result of a deterioration in economic conditions.
12.	KLV has been saying for some time now that it was evaluating the best commercial option for its office building in Melbourne. When can we finally expect an outcome?	We are still evaluating the best option as progress has been delayed due to the Covid-19 lockdown in Melbourne. While the Covid-19 situation in Melbourne is worrying, we believe our freehold heritage office building holds value over the longer term given the city's longstanding allure as the cultural capital of Australia and as one of the most liveable places in the world. The Company will continue to monitor this and provide further updates to shareholders on this via SGXNET as and when there are material developments.
<b>Future plans</b>		
13.	What are the company's plans to return to profitability? Please provide specifics instead of what is provided in the annual report and financial statements that are constantly repeated.	Shareholders are advised to refer to the Company's previous SGX announcements, annual reports and our Company website for more information on the Group's business plans. We have specified clear steps which we have taken to put the Company back on the path to sustained growth. More recently, in the absence of quarterly unaudited results reporting, the Company provided a business update on SGX-ST on 11 September 2020.
14.	Can KLV consider venturing into a new business in order to shore up its revenues and profitability?	To recap, shareholders had previously approved at an extraordinary general meeting on 26 January 2015 a proposed diversification of business into property and investment. We are and remain committed to improving our financial performance and to restoring value to shareholders. To this end, we will continue to explore new business opportunities, even as we continue to seek to turn around the Doors business.
15.	Will KLV consider selling its door business since it has been losing money over the last three years?	The Doors business has been a pivotal part of the Group's business for many years and the Company's brand name has become synonymous with quality doors and wood products, especially with our export customers. Our reputation for technical know-how and workmanship, as well as the trust of the customer has been developed over many years and withstood many challenges in the industry. In the event that a proposal to buy over the Doors business passes muster, the Board will consider any such proposal on its individual commercial merits and with the best interests of the Company and its shareholders in mind.