



KTL GLOBAL LIMITED

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

CORPORATE AND BUSINESS UPDATE

The Board of Directors ("the **Board**") of KTL Global Limited ("**KTL**" or the "**Company**", and together with its subsidiaries, the "**Group**") has conducted a strategic review taking into account the significant changes in the operating environment, and wishes to provide a corporate and business update.

I. Review of Current Core Business and Operating Environment

The recent fall in the prices of crude oil has deeply impacted the offshore oil and gas ("O&G") industry. While the specialized rope and rigging sub-sector has been relatively stable, the Directors believe the change in market dynamics has presented an opportunity to review practices and seize fresh opportunities. Accordingly, the Directors have outlined three key strategic thrusts going forward:

1. Scale up the value chain by focusing on higher-value products (including the use of synthetic materials other than steel) and higher-margin services business (including certification and managed services)
2. Deepen penetration in existing markets and extend geographical footprint to include North Asia
3. Streamline internal and operating efficiencies, including a significant relocation of operations from Singapore to Johor, Malaysia

The Group manufactures premium steel wire rope, synthetic rope, and subsea rigging equipment including heavy lift slings. It also provides related technical services to the O&G market. With significant presence in major O&G hubs in developing markets, KTL is one of the largest rigging companies worldwide.

Despite lower oil prices, this sub-sector continues to grow due to three major factors. The first is that as drilling operations increase in ultra-deep waters, there is an increasing demand for specialized steel ropes and lighter, but stronger, synthetic alternatives to steel. Secondly, higher safety standards have led to greater emphasis on quality and certification of equipment. Thirdly, offshore drilling companies now deal with more submarine telecommunications cables on the sea beds, which could be damaged by the steel ropes and potentially incur liabilities.

This complex operating environment means that rigging, mooring equipment and heavy lift slings require greater precision and undergo more stringent certification processes. The Company believes it can capitalize on opportunities arising from this trend and has positioned itself accordingly.



KTL GLOBAL LIMITED

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

II. Scaling Up the Value Chain; Building Capabilities

Having accumulated decades of experience in this sub-sector, the Company is moving up the value chain as follows:

A. Heavier Tonnage Synthetic Ropes

The Group has invested in new technology and commissioned its first roundsling machine, *KimLift*, in Singapore to manufacture synthetic slings, which are approximately one-seventh the weight of steel ropes but can lift heavy tonnages without elongation undersea. It is now able to manufacture up to 3,000 metric tonnes ("MT"), compared to 1,700 MT a year ago.

With *KimLift*, the Group can halve production man-hours. The Group anticipates that demand for synthetic slings is at an inflection point, and that its ability to manufacture such a product will distinguish it from competitors.

B. Certification and Managed Services

Amidst more complex equipment and safety requirements, O&G players have begun outsourcing services and certification to specialists such as **KTL**. The Company has begun offering a wide range of managed services, including inspection and certification of equipment and ropes, wire rope lubrication, wire rope spooling and installation, as well as storage of rigging and lifting equipment.

As more operators shift from capital expenditure-intensive models towards operating expenditure, the Group intends to increase its provision of managed services, which offer typically higher gross margins.

III. Deepen Penetration In Existing Markets; Extend Geographical Footprint

The Group currently has facilities in Singapore, Malaysia, United Arab Emirates ("UAE"), Indonesia and China, as well as strategic partners in Mexico and Brazil.

A. UAE, Middle East – KTL Offshore (Middle East) FZC

The Group's facility in the Hamriyah Free Zone, UAE, is the largest dedicated wire rope and rigging facility in the Middle East. Accredited with ISO 9001:2008 and ISO 17020 certification, the facility is located on a 107,635 sq. ft. plot of land with a covered warehouse and production area. The facility manufactures heavy lift slings, synthetic wire ropes, and general slings, and has a covered warehouse for wire rope reel storage.

The Middle East region contributed S\$9.0 million to the Group's revenue in FY2014, a figure that is expected to increase by approximately 40% in FY2015. To meet the higher demand, the Group intends to increase staff strength in the region to 55 from 44 within a year, while building up its capabilities to position it as a hub to target Europe as well.



KTL GLOBAL LIMITED

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

B. China – KTL Global owns a 40%-stake in a joint venture in China: KTL Offshore Technology (Nantong) Co., Ltd. (“KTLN”), which trades in high-end slings, rigging and provides other related technical services within the newly operational Nantong Comprehensive Bonded Zone. Over the next 12 months, the Group plans to set up four sales representative offices in the coastal cities from North to South China, growing the headcount up to 20. KTLN is setting up a rigging shop, targeted to complete in October 2015, to produce general and specialized (heavy lift) wire rope slings and other rigging items. Leveraging on its track record, experience in manufacturing, servicing and certifying rigging equipment and ropes, the Group believes that it will be able to increase its market share in China via the new joint venture. Increasingly, O&G companies in China prefer to work with integrated providers who offer rope and rigging products as well as services. The latter is currently lacking in the rope and rigging market in China, which is fragmented and behind Western markets in adoption of servicing and certification aspects of this sub-sector. KTLN will build up assets in the coming months to position itself as a leader in this field. In addition, it is building a 300,000 sq. ft. facility in Nantong, Jiangsu province, which will be completed by December 2015.

KTLN has secured S\$1.1 million in orders – comprising mainly product sales – in the first three months of operations since December 2014. KTLN expects to recognize revenue from this product sales in FY2016, when servicing revenue – expected to be the dominant revenue contributor – will commence contribution.

C. Malaysia – KTL Offshore (Malaysia) Sdn Bhd

In September 2014, the Group completed factory buildings and other ancillary structures on its 30-year leasehold industrial land of approximately 217,800 sq. ft., situated in Tanjung Langsat, Johor; Malaysia's largest dedicated rigging facility and one of the largest in Southeast Asia. Expected to be fully operational by the end of 2015, it will focus on producing and warehousing steel rigging gears. As Malaysia is already a significant offshore and marine base operator, the Group believes that this sizeable facility – which is geographically close to Singapore but comparatively cost-efficient – will offer significant opportunities for growth in the near future.

IV. Improving Internal and Operating Efficiencies

The completion of the Malaysian facility will serve as a major catalyst for significant Group-wide improvements in cost and operational efficiency. By June 2015, the Group will have relocated the bulk of its heavy steel rope and rigging production from Singapore to Tanjung Langsat. This will resolve the issues of high labour costs, utility charges, and government levies faced in Singapore, as well as a shortage of manpower. The bulk of the managed services will also relocate to Malaysia. The Group intends to increase its manpower in Malaysia from 18 to 50 by the end of 2015.



KTL GLOBAL LIMITED

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

Singapore will remain as the Group's headquarters, with the Singapore facility manufacturing synthetic slings, lifting slings and mooring rope. Since the beginning of 2015, the Group has leased out more than 70,000 sq. ft. of its Singapore facility and intends to lease out more space as it is freed up. Accordingly, the Group intends to reduce its headcount in this facility over the next two years. .

V. Outlook

The Board believes the above strategies will have far-reaching benefits in positioning the Group as a world leader in specialized rope and rigging for the O&G industry. In view of these strategies, the Directors expect that:

- 1) The Group will continue to position itself as a leader in producing synthetic ropes and rigging and related specialized services, which offer higher margins than the manufacture and sale of steel products.
- 2) The UAE hub will increase revenue contribution due to continued emphasis on the Middle East for more sophisticated rope and rigging products and services, as well as anticipated additional demand from Europe.
- 3) The Group's 40%-owned China joint venture is expected to contribute positively to the FY2016 financial results, and that the contribution will increase significantly in FY2017.
- 4) The relocation of large portions of steel rope and rigging manufacturing, warehousing and servicing activities to Malaysia from Singapore will result in significant improvements in internal efficiencies. These are expected to translate into significant operational cost efficiencies in FY2016, which will rise further in FY2017.
- 5) In view of the above strategies and barring any unforeseen circumstances, the Group is optimistic of its performance in FY2015.

The Group will continue to strengthen and build upon its core competencies while exploring possible mergers and acquisitions to expand its presence in new markets.

BY ORDER OF THE BOARD

Tan Kheng Yeow
Chief Executive Officer
7 April 2015