


A New Horizon.



KLW HOLDINGS LIMITED
ANNUAL REPORT FY2015/2016





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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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Address: 9 Battery Road #25-01, Straits Trading Building,
Singapore 049910
Telephone: 6535 3600

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



Malaysia



China



Vietnam



Singapore

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 operation:

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

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

China

Manufacturing operation:

中国广东省东莞市洪梅镇洪厚路均段 Yao Jun, 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工业区

Mei Sha, Xiong Dong Industrial Area, Hongmei Town, Dongguan City, Guangdong, China, Post code: 523160

Vietnam

Manufacturing operation (Factory construction completed recently):

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

Singapore

Project management and installation:

KLV Joinery Pte Ltd
39 Kaki Bukit Terrace
Singapore 416119



PROPERTY INVESTMENTS AND DEVELOPMENTS

Since 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.

Victoria University

Date Acquired	November 2014
Property Type	University
Storey	7
Ownership Status	Freehold
Zoning	Capital City Zone 1
Land Area	895 sqm
Building Area	5,690 sqm
Purchase Price	A\$23.6 million
Lease	Victoria University
Lease Expiry Date	30 October 2020

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.*

The Group's initial investment was in Australia's Melbourne city:



Victoria University

301 Flinders Lane, Melbourne, Australia

This commercial building is currently lease to Victoria University until October 2020 and provides the Group with regular rental income.

Lincoln Square Carlton

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

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



Chairman's Statement

Dear Shareholders,

On behalf of the Board of K LW Holdings Ltd ("Group") it is my pleasure to present our Annual Report for the financial year ended 31 March 2016 ("FYE2016").

FYE2016 has been a watershed year for the Company and its subsidiaries ("Group"). Through the concerted effort of management and staff, we managed to stage a turnaround with improved bottom-line performance despite the challenging business environment in the countries we operate.

Being a pioneer in manufacturing and marketing of a high quality engineered door, our doors division posted an impression performance this year both the export market and project works.

Our first foray into the property investment business primarily in Melbourne, Australia is proceeding smoothly. Our current Australian asset portfolio stands at \$42.1 million and we continue to source for potential assets acquisition targets.

CORPORATE GOVERNANCE

The Group is committed to attaining an overall system of accountability and continues to strive for high standards in corporate governance. The past 6 months have been an opportunity for the Group to improve on its internal control and corporate governance disclosure processes.

A detailed "Report on Corporate Governance" is set out on Pages 16 to 34 of the Annual Report and signifies our pledge to adhere to best corporate governance practices with the interests of all stakeholders in mind.

NOTE OF APPRECIATION

I am privileged to be working with an organisation that continues to rejuvenate itself through cycles of prosperity and adversity. On behalf of the Board of Directors, I would like to express my sincere thanks to all our valued customers, suppliers, business associates, and

FYE2016 has been a watershed year for the Group. Through concerted effort of management and staff, we managed to stage a turnaround with improved bottom-line performance despite the challenging business environment in the countries we operate.



\$42.1m

Current Australian
asset portfolio

shareholders for their long standing support for K LW.

My Board of Directors, management team and staff, which have undergone some renewal, also deserve appreciation for their professionalism in their work.

The trust given to me by my fellow directors and shareholders is a constant source of pride and I am sure that we will emerge a stronger and profitable company.

Yours sincerely,

Pengiran Muda Abdul Qawi
Non-executive Chairman
July 2016

CEO's Statement

Dear Shareholders,

I was appointed Chief Executive Officer of K LW Holdings Limited in October 2015. Together, the reconstituted Board of Directors and management have stepped up our quest to instil best practices in corporate governance and disclosure principles, while not losing sight of improvements to the Group's fundamentals.

I am delighted yet humbled by the trust placed upon me by the Board and I will work with all stakeholders to bring the Group to the next level of growth.

OPERATION HIGHLIGHTS / BUSINESS REVIEW

Our core Doors division is performing well with a registered growth of 35.5%. We will continue to seek new businesses in new markets globally whilst maximising the use of our present production facilities.

Our core Doors division is performing well with a registered growth of 35.5%. We will continue to seek new businesses in new markets globally whilst maximising the use of our present production facilities. Construction of our Vietnam production facility has been completed and we will take measured steps to increase our production capabilities to meet present and future demand. For the Property division, we have completed the acquisition of Melbourne Lincoln Square and we are in the process of developing plans to maximise the potential of this property. We will continue to explore other opportunities that will increase our property footprint.

With our strong balance sheet, we are confident that the Group possesses enormous potential to gear up to capitalise on opportunities that will enhance shareholders' values.

PRUDENCE, RISKS AND INTERNAL CONTROL MANAGEMENT

I am committed to driving the Group towards a long-term sustainable growth model. The key building block of this model is a high standard of governance and risk management. I believe that good governance will strengthen our fundamentals and place the Group on a solid footing for business development.

As such, we have in place a robust governance and risk management framework. We will exercise prudence in reviewing and evaluating risks associated with any investment opportunity. Always, the interests of our shareholders will take precedence. We adopt a long-term sustainability perspective, focusing on creating value and delivering stable returns to all stakeholders.

We aim to maintain a strong balance sheet through prudent and sound financial management, so as to ensure continuous access to funding at optimal cost. Our Doors division has attained self-funding with positive cash-flows. The acquisition of Flinders Building and CT Hub were financed by a combination of equity raised and Australian dollar debt, to take advantage of the relatively low cost of Australian dollar debt during that time.

IN APPRECIATION

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, as well as government agencies for their valued support. To the shareholders, I thank them for the confidence they have in us. I would also like to thank the reconstituted board of directors for their guidance and contributions. For all of us at K LW, we look forward to having all stakeholders continue the journey with us to contribute to the performance of the Group going forward.

Yours Sincerely

Quek Chek Lan
CEO
July 2016

Operational and Financial Review



OPERATIONAL REVIEW

We expect the operating environment in the key markets we are operating in to remain challenging. The Group will maintain its focus on its core business, being the manufacturing of and export sales of doors while it continues to increase its existing manufacturing capabilities. The Singapore residential development market (which its local project to supply and installation of doors under its door division relies on) has slowed tremendously.

Nevertheless, we are hopeful for broader opportunities in the international market for project works and will venture in this direction.

Operationally, we continue to improve and adopt good corporate governance practices and will stay vigilant of possible risk factors that could impact our business and we will also focus on managing our costs. Barring any unforeseen circumstances, the Group is poised for stable yet optimistic performance in the financial year ended 31 March 2017 ("FY2016/17").

FINANCIAL REVIEW

We would like to draw the attention of the shareholders to the announcement released by the Company on certain material variances between the audited financial statements for the financial year ended 31 March 2016 ("FY2015/16") and the unaudited financial statements for the same period announced by the Company on 30 May 2016.

Income Statement Review

The Group revenue for FY2015/16 increased by 31.5% to \$54.25 million as compared to \$41.3 million for financial year ended 31 March 2015 ("FY2014/15").

The Group's door business achieved an increase of 35.6% from \$39.0 million in FY2014/15 to \$52.9 million in FY2015/16. The increase is attributable to the Group's growth in export sales orders and higher revenue contribution from several projects to supply and install doors that were completed in FY2015/16.

FY2015/16 revenue from property business decreased by 40.4% from \$2.2 million in FY2014/15 to \$1.3 million in FY2015/16. The revenue from property business is mainly rental income from the Group's investment property located at 301 Flinders Lane, Melbourne, Victoria, Australia which is on lease to Victoria University. The decrease

was mainly due to the sub-tenancy ended in December 2014 at 19 Senoko Loop, Singapore 758169.

The Group's overall gross profit margin is higher at 31.2% in FY2015/16 (gross profit at \$16.9 million) compared to 28.3% in FY2014/15 (gross profit at \$11.7 million). The improvement in gross profit margin primarily comes from the cessation of carrying costs related to the sub-tenancy by the Group of certain units of the Group's leased property at 19 Senoko Loop, Singapore 758169 after the tenancy agreements for the sale and leaseback of the property ended in December 2014.

The Group's Other Income increased by 50.0% from \$1.0 million in FY2014/15 to \$1.5 million in FY2015/16. This relates to the gain in fair value assessment for the Group's investment and development properties in Australia.

Selling and distribution expenses decreased by 16.2% from \$1.3 million in FY2014/15 to \$1.1 million in FY2015/16. The decrease was mainly due to the reduction in freight costs from the Group's export sales in the door business.

Administrative expenses increased by 8.3% from \$9.1 million in FY2014/15 to \$9.9 million in FY2015/16. The increase was mainly due to (1) costs amounting to \$350,000 associated with special investigation carried out by the special auditor (FY2014/15: nil); (2) legal fees amounting to \$290,000 associated with debt recovery (FY2014/15: nil); (3) the write off of long overdue receivables of \$876,000 owing by a former subsidiary; and (4) professional fees amounting to \$551,000 associated with the development of property business in Australia such as Architect fees, Design fees, Project Management fees, Surveyor fees and Traffic Engineer fees (FY2014/15: nil).

Finance costs for the Group increased by 48.6% from \$0.9 million in FY2014/15 to \$1.3 million in FY2015/16. The increase was mainly due to the mortgage interest financing for the acquisition of the Group's investment property at 301 Flinders Lane, Melbourne, Victoria, Australia and the industrial terrace unit located at 39 Kaki Bukit Industrial Terrace used for the door business.

Taxation for the Group increased by 266.7% from \$0.3 million in FY2014/15 to \$1.08 million in FY2015/16. The increase was

mainly due to higher provision of tax due for higher profit generated in the current year.

Profit for FY2015/16 increased to \$3.75 million from the loss of \$6.3 million in FY2014/15, mainly due to the factors mentioned above.

Earnings per share stood at S\$0.07 cents for FY2015/2016 as compared to FY2014/2015's loss per share of S\$0.133 cents.

Balance Sheet Review

Property, plant and equipment increased by 3% from \$19.6 million in FY2014/15 to \$20.13 million in FY2015/16 mainly due to the addition of machinery and equipment for door manufacturing division offset by depreciation charges.

In FY2015/16, the development property refers to the completion of purchase of Lincoln Square in November 2015.

Inventories decreased by 30.6% to \$6.0 million in FY2015/16 as a result of more stringent control measures in raw material procurement leading to shorter holding lead time and efficient utilisation of raw material for production which allowed the Group to reduce its inventories.

Trade and other receivables decreased by 51% to \$10.6 million in FY2015/16 due to the partial recovery of \$9.0 million commitment fees arising from cancelled investments under the "Bali and Zhangye Term Sheets" and refund from the security deposit for the Group's leased property at 19 Senoko Loop following the expiry of the tenancy agreements in respect of the sale and leaseback of the said property.

Revaluation and other reserves decreased by 19.6% to \$4.5 million in FY2015/16 from \$5.6 million in FY2014/15 mainly due to currency translation differences. Accumulated losses decreased by 11.6% to \$28.70 million in FY2015/16 from \$32.4 million in FY2014/15 due to the profits earned in FY2015/16.

Shares with preference rights relate to the Group's 30% equity interest in door division held by Koperasi Permodalan Felda Malaysia Berhad. The shares are subject to various contractual terms to be fulfilled by the Company. As at 31 March 2016, the Group fulfilled the profit guarantee thereunder and will be seeking the extension of the period for the proposed listing

(which expires on 31 December 2016). The Group has yet to obtain the aforementioned extension, the preference shares were reclassified as current liabilities in FY2015/16 (classified as non-current liabilities in FY2014/15) in the Group

Trade and other payables increased by 75.4% to \$7.8 million as at FY2015/16. The increase was in line with the increase in business activities.

Provision of the income tax increased by 57.4% to \$1.0 million in FY2015/16 due to increase in profit in the current year.

Total equity for the Group increased approximately 3.5% to \$79 million as at 31 March 2016 from \$76.3 million as at 31 March 2015. Net asset value for the Group was S\$1.47 cents per ordinary share in the capital of the Company as at 31 March 2016 with positive working capital of S\$51.3 million.*

Cash Flow Statement Review

The Group's cash flow generated from operating activities (net) for the year ended 31 March 2016 was \$0.6 million. This was mainly attributable to the profit for the current year, and completion of the purchase of the Group's development property at Lincoln Square South, Carlton, Melbourne, Australia; Decrease in inventories and collection of receivables also help improved operating cash flows.

Cash flows generated from investing activities (net) was \$6.5 million for FY2015/16. This was mainly attributable to purchase of additional property, plant and equipment for the Group's subsidiary - Key Bay Furniture Co., Ltd; and partially offset by the recovery of the \$9.0 million commitment fees arising from the cancelled investments under the "Bali and Zhangye Term sheets".

Cash flows used in financing activities (net) was \$2.2 million for FY2015/16. This arose from installment 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 \$35.9 million for FY2015/16.

* working capital is calculated as current assets less current liabilities.



Our Global Footprint



Door Business

- 1 United Kingdom
- 2 Ireland
- 3 Singapore
- 4 United Arab Emirates
- 5 United States of America
- 6 China



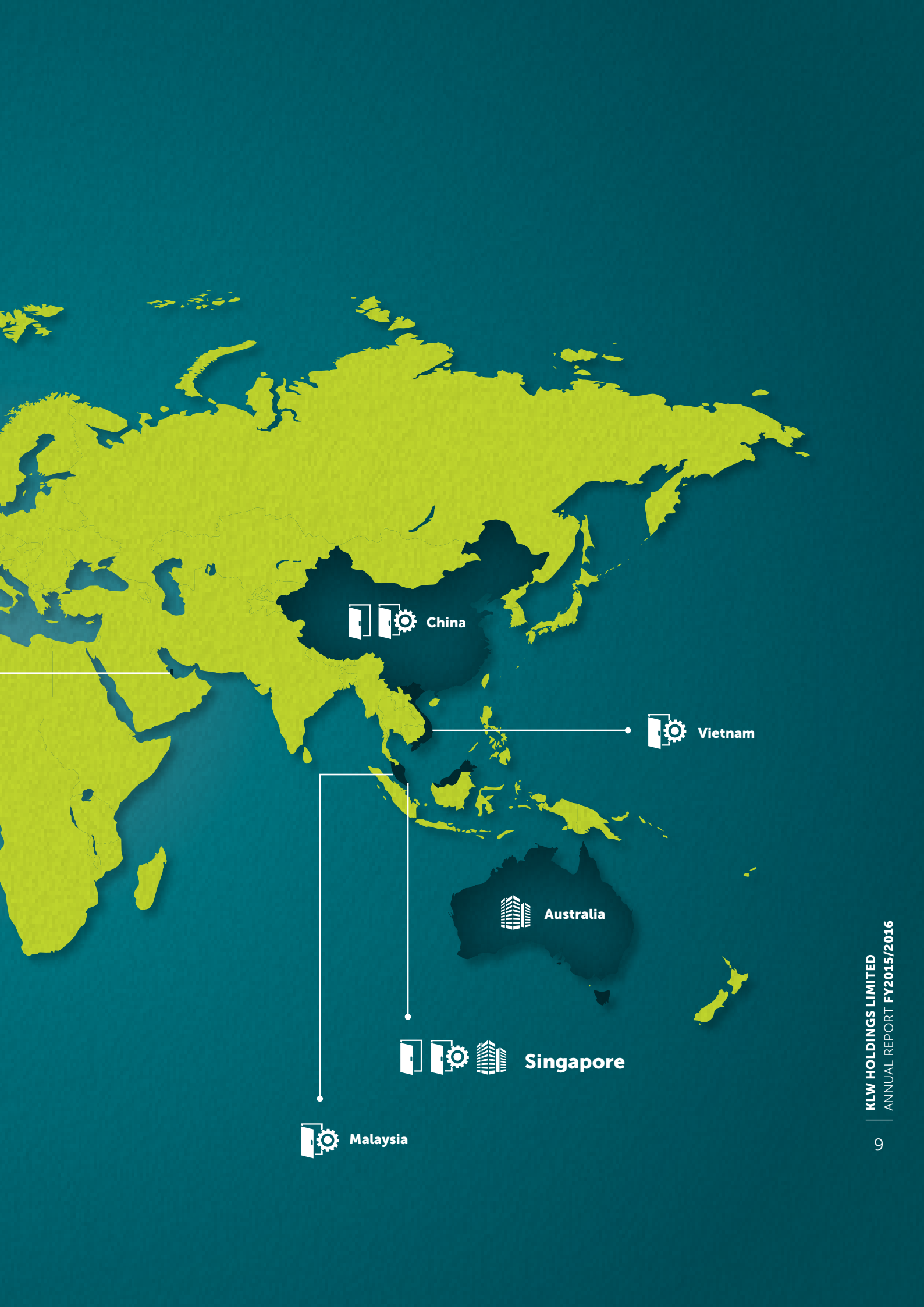
Door Operations

- 1 Singapore
- 2 Malaysia, Johor
- 3 China, Dongguan / Guangzhou
- 4 Vietnam, Ho Chi Minh



Property Business

- 1 Singapore
- 2 Australia, Melbourne



China



Vietnam



Australia



Singapore



Malaysia

Board of Directors



Pengiran Muda Abdul Qawi
Non-executive Chairman

Pengiran Muda Abdul Qawi joined the Board of K LW Holdings Limited on 30 September 2014 as Non-Executive Chairman and was re-elected on 29 July 2015. 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.



Lim Jit Siew
Independent Director

Mr Lim was elected as an Independent Director at an Extraordinary General Meeting on 12 October 2015. He is currently the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He has more than 37 years of financial management and accounting experience

in American and European multinational companies. He was previously the Chief Financial Officer of four publicly listed companies. 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.



Wong Joo Wan
Independent Director

Mr Wong was elected as an Independent Director at an Extraordinary General Meeting on 12 October 2015. He is currently the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees. Mr Wong is currently a Director of Alternative Advisors Pte Ltd and brings more than 20 years' 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. 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). He is currently also sits on the board of Ecowise Holdings Limited and Lifebranz Limited as a non-executive independent Director.



Nicholas Jeyaraj s/o Narayanan
Independent Director

Mr Narayanan was elected as an Independent Director at an Extraordinary General Meeting on 12 October 2015. He is currently the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. Mr Narayanan is a partner at Nicholas & Tan Partnership LLP. He is a commercial litigation and arbitration specialist. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Fellow of the Chartered Institute of Arbitrators and the Singapore Institute of Arbitrators as well as a Commissioner for Oaths. Mr Narayanan graduated with a Bachelor of Law (Honours) degree from the University of Wolverhampton and is a Barrister-at-law of the Inner Temple. He currently also serves as a non-executive independent Director on the board of Annica Holdings Limited.

Key Management

**Quek Chek Lan**

Chief Executive Officer

Mr Quek is the chief executive officer of the Group and has been appointed since 16 October 2015. He attended the then Nanyang University in the 1960s. He has been involved in the senior management of various public listed companies and has acquired vast corporate and operational experiences not only through his directorship in these companies but also engaged in trading in his private capacity.

**Lee Wan Cha, Adeline**

*KLW Joinery Pte Ltd
General Manager, Singapore*

Ms Adeline Lee joined the Group's marketing division in 2004 and is now responsible for the management of Singapore's project business and the Group's sales and marketing initiatives. Prior to taking over the project business, she was one of the key people responsible for growing the Group's door export business to its current size. Ms Lee holds a degree in Business and Marketing from University of Portsmouth, UK.

**Ngo Yu Peng, Felicia**

*KLW Holdings Limited
Group Finance & HR Manager*

Ms Felicia Ngo joined KLW Holdings Limited in 2003. She is in charge of the Group's financial reporting and human resources. 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.

**Koh Wee Ann, Sam**

*Chief Operating Officer
Malaysia, China, Vietnam*

Mr Sam Koh joined the Group in 2006 after graduating from Universiti Putra Malaysia, majoring in Forestry. He started his career with the Group's Malaysia operations for two years and then relocated to China in 2008 to spearhead the Group's entry into China. The Group restructured its door business operations in 2012 with Mr Koh appointed as the Chief Operating Officer in charge of all production facilities of the Group in Malaysia, China and Vietnam.

**Teh Teong Lay**

Group Financial Controller

Mr Teh Teong Lay is our Group Financial Controller. He joined KLW Holdings Limited in April 2016 and oversees the overall financial and accounting functions of the Group. Prior to joining us, Mr Teh held several key finance positions in various organizations. He holds a Bachelor of Business degree majoring in Accounting and Finance and is a member of CPA Australia and an associate member of the Institute of Singapore Chartered Accountants.



KLW Group Structure



**KLW Resources
Sdn. Bhd.**
Malaysia

100%

**Ambertree Vic-Mel
(Flinders) Pty Ltd¹**
Melbourne

100%

**Ambertree Vic Mel
(Lincoln) Pty Ltd²**
Melbourne

100%

Ambertree Pte. Ltd.
Singapore

100%

**KLW Wood Products
(M) Sdn. Bhd.**
Malaysia

100%

**Dongguan Lebex
Doors Co. Ltd.**
China

100%

KLW Joinery Pte. Ltd.
Singapore

100%

KLW (HK) Limited
Hong Kong

100%

**Key Bay Furniture
Co., Ltd**
Vietnam

100%

**Ambertree
Development
(Singapore) Pte. Ltd.**
Singapore

100%

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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 2015 to 31 March 2016 (“FY15/16”) with reference to the Code. The Company has complied, in all material aspects, with the principles and guidelines of the Code.

On 25 June 2015, the Board appointed PricewaterhouseCoopers LLP as special auditors to carry out a special review (“**Special Audit**”) into the financial affairs of the company and some of its key subsidiaries and in particular:

- (a) to determine the facts and circumstances surrounding the entering of the Bali Term Sheet, the Zhangye Hotel Term Sheet and the Zhangye Property Term Sheet;
- (b) to review significant payments made for a specific period of time and to establish whether there are any other similar unusual payments made during this period; and
- (c) to make recommendations on enhancement of internal controls lapses and corporate governance on the contracting and payment process.

The Special Auditors had completed their review and a copy of executive summary (the “SA Report”) was announced on the SGXNET on 10 November 2015 with the following key conclusions:

- (i) The Bali Term Sheet, Zhangye Hotel Term Sheet and Zhangye Property Term Sheet were not made known to the Board and there was no approval from the Board.
- (ii) There was a lack of timely disclosure of the Group’s acquisition of a subsidiary company in Vietnam – Key Bay Furniture Co., Ltd.
- (iii) There was a potential breach of the Singapore Companies Act and SGX Catalist Rule 905 and Rule 906 involving company loans to the former managing director / shareholder, Mr Lee Boon Teck.
- (iv) There was a misstatement in interim financial statements announcement for period ended 30 September 2014. The misstatement involved cash and bank balances as at 30 September 2014.
- (v) Disclosure announcements on use of funds from 2014 Placement Issue and 2014 Rights Issue were not in compliance with SGX Catalist Rule 815.

Subsequent to the appointment of the special auditors to look into the financial affairs of the Company, the Company has convened an EGM on 12 October 2015 to implement the following:

Removal of Mr Lee Boon Teck as managing director by shareholders. Mr Lee has however been retained as consultant of the Group’s door-making business to assist the Chief Executive Officer on a six-month renewal basis. The company is in the process of finalizing a formal consultancy agreement with Mr Lee. At present, his remuneration is lower than when he was managing director.

Removal of Mr. Teo Hin Guan and Mr. Low Hai Lee as Independent Directors and replacing them with Mr. Wong Joo Wan, Mr. Lim Jit Siew and Mr. Nicholas Jeyaraj s/o Narayanan as the new Independent Directors.

Mr. Ho Pong Chong tendered his resignation on 13 October 2015 as Independent Director.

Report on Corporate Governance

The newly reconstituted Board has since implemented the following procedures to safeguard shareholders' interests, and to strengthen and enhance the Company's processes:

1. Removal of Mr. Lee Boon Teck as one of the Company's bank signatories;
2. Review of the Company's cheque signing limits and imposed limitations on the mandate of the management's authority to disburse Company's funds;
3. Immediate discontinuation of the use of blank cheques, cash cheques and splitting of payments to the same vendor on the same day into multiple cheques which can circumvent bank signatory limits;
4. Setting limits of authority for the Chief Executive Officer/Managing Director;
5. Relinquishment of Jaslin Gaw's role as, the Group Financial Controller, and cessation as a cheque signatory for the Group and redeployment of Jaslin Gaw to operations and human resources so as to prevent a recurrence of past breaches of internal control and corporate governance;
6. Involvement of the new Independent Directors as authorised cheque signatories; and
7. Appointment of Drew & Napier LLC as the legal counsel to advise the Board on the implications of the transactions under the special audit. The newly appointed Board is currently also in the process of reviewing the Company's management structure and continuing renewal of the management team.
8. Following the receipt of notification from the Company's sponsor - SAC Capital Private Limited, of its intention to terminate its services as continuing sponsor (last day of appointment being on 31 December 2015) as announced by the Company on 20 October 2015, taking of steps by the newly appointed Board to find a new continuing sponsor, in compliance with Rule 746 of the Catalist Rules, which states that the Company may be removed from the listing of the SGX-ST if it does not have a sponsor more than 3 continuous months (i.e by 31st March 2016). Trading in the Company's shares was suspended on the SGX-ST for a brief period from 4 January 2016 to 29 February 2016. On 1st March 2016, the Company appointed R & T Corporate Services Pte. Ltd. as its new continuing sponsor and trading of the Company's shares resumed on 1 March 2016.

In response to the findings of the Special Auditors, the Board has taken appropriate measures as previously announced on 10 November 2015 to enhance the corporate governance and internal control procedures of the Group. In addition, the Board has carried out the recommendations made by the Special Auditors, in particular:

1. Commissioning a thorough review of the corporate governance and internal controls of the Company to ensure that the various lapses in controls are immediately rectified and appropriate control measures are immediately implemented;
2. Working with its appointed lawyer, Drew & Napier LLC, to review the potential breaches of the SGX Catalist Rules and the Singapore Companies Act in light of the special auditors' findings and seeking advice on the legal implications and actions, if any, to be taken by the Board;
3. Following up on the necessary steps to secure the Company's effective ownership in Key Bay Furniture Co., Ltd, including obtaining legal advice, where necessary, and following up with the relevant Vietnam authorities;
4. Instructing the finance team to continue tracking and reconciling the various book accounts to determine the net amounts owing to/from Mr Lee Boon Teck from/to the Company and providing oversight to implement proper procedures to ensure that all loans to directors, including all relevant terms thereof, are properly approved, disclosed and documented;
5. Pursue the recovery of the S\$7.2 million of commitment fees from Mr Michael Chan Ewe Teik in respect of the 2nd Zhangye Property Term Sheet and PT Atlas ("Bali Term Sheet "). For information on recovery actions taken by the Company, please refer to page 105 on "Notes to the Financial Statements: Note 34 - Legal claims and contingent Liabilities".

Report on Corporate Governance

6. Appointment of BDO LLP as the Group's new internal auditor ("IA") on 24 March 2016 to carry out the Company's internal audit function for FY15/16 onwards.
7. Appointment of new Group Financial Controller ("GFC") – Mr Teh Teong Lay with effect from 4th April 2016. GFC is responsible for the Group's financial and accounting matters and its compliance with financial reporting and regulatory requirements.

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 high standard of corporate governance. It is responsible for charting the Group's strategies and direction. It provides an oversight for the 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.

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 acquisitions, development and divestments exceeding S\$500,000;
- funding decisions related to investments and operational matters;
- annual plans, budgets, policies, strategies and financial objectives;
- monitoring the performance of management and remuneration of Chief Executive Officer (CEO) and key management staff;
- recommending dividends and other returns to shareholders, if appropriate;
- overseeing the framework and processes for evaluating the adequacy of internal control risk management, financial reporting and compliance;
- the Group's quarterly, half-year and full-year financial results announcements; and
- 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 regularly and as warranted by particular circumstances, 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 a Board meeting to be conducted by way of tele-conference and video-conference.

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The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors in FY15/16:

Board members	Board	Audit Committee	Remuneration Committee	Nominating Committee
Pengiran Muda Abdul Qawi	4	–	–	–
Lim Jit Siew ⁽¹⁾	2	1	–	–
Wong Joo Wan ⁽²⁾	2	1	–	–
Nicholas Jeyaraj s/o Narayanan ⁽³⁾	2	1	–	–
Lee Boon Teck ⁽⁴⁾	3	2*	1*	2*
Ho Pong Chong ⁽⁵⁾	3	2	1	3
Teo Hin Guan ⁽⁶⁾	2	1	1	2
Low Hai Lee ⁽⁷⁾	3	2	1	3

* Attended by invitation

- (1) Mr Lim Jit Siew was appointed as Independent Non-Executive Director by shareholders at the Extraordinary General Meeting ("EGM") held on 12 October 2015 and he was designated as the Chairman of the AC and member of the RC and NC.
- (2) Mr Wong Joo Wan was appointed as Independent Non-Executive Director by shareholders at the EGM held on 12 October 2015 and he was designated as Chairman of the NC and member of the AC and RC.
- (3) Mr Nicholas Jeyaraj s/o Narayanan was appointed as Independent Non-Executive Director by shareholders at the EGM held on 12 October 2015 and he was designated as Chairman of the RC and member of the AC and NC.
- (4) Mr Lee Boon Teck was removed as Managing Director by shareholders at the EGM on 12 October 2015.
- (5) Mr Ho Pong Chong resigned as Independent Director on 13 October 2015. Prior to his resignation as director of the Company, he was Chairman of the AC and member of the RC and NC.
- (6) Mr Teo Hin Guan was removed as Independent Director by shareholders at the EGM on 12 October 2015. Prior to his cessation as a director of the Company, he was Chairman of the RC and member of the AC and NC.
- (7) Mr Low Hai Lee was removed as Independent Director on 13 October 2015 by shareholders at the EGM on 12 October 2015. Prior to his cessation as a director of the Company, he was Chairman of the NC and member of the AC and RC.

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.

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 director is to be appointed, proper briefing or explanation will be given to the new director in respect of the regulatory requirements that a director has to comply with on appointment, and the on-going obligations of a director under the Companies Act, the Catalist Rules and other regulatory requirements. In addition, the director is also given access to the Board resources, including the Company's constitutional and governing documents, Board and each committee's terms of reference, the Group's policies, Annual Reports, Board meeting papers and other pertinent information for his reference.

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In addition, the Company conducts an orientation programme for newly appointed directors to familiarise them with the businesses, operations, financial performance and key management staff 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 business operations.

All directors who have no prior experience acting as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities as 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 advises the Board on regulatory matters relating to the Companies Act and continuing listing obligations pursuant to the Catalyst Rules respectively.

The Company will identify relevant updates, briefing and training programs for the Directors to attend. During the financial period FY15/16, the Directors attended the following:

<u>Date</u>	<u>Events</u>
13 August 2015	Listed Company Directors Essentials (Module 1) Programme (Understanding the Regulatory Environment) by Singapore Institute of Directors attended by Directors Pengiran Muda Abdul Qawi, Lee Boon Teck, Ho Pong Chong, Teo Hin Guan and Low Hai Lee.

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 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 requirement that at least one-third of the Board members should comprise independent directors, and no individual or small group of individuals dominate the Board's decision-making process.

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

Pengiran Muda Abdul Qawi	Non-executive Chairman
Mr Lim Jit Siew	Non-executive & Independent
Mr Wong Joo Wan	Non-executive & Independent
Mr Nicholas Jeyaraj s/o Narayanan	Non-executive & Independent

The Constitution of the Company imposes a maximum of 15 Directors and a minimum 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 legal, finance, manufacturing and strategic planning experience and such wealth of experiences has enhanced the overall quality of the Board. The key information on the Directors is set out on page 10 of the annual report.

Report on Corporate Governance

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 is satisfied and confirms that the Independent Directors, who represent 75% of the Board, having considered Guideline 2.3 on independence under the Code, and there are no relationships that would otherwise deem any of them 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 first appointment should be subject to particularly rigorous review.

At present, there are no Independent Directors who has served beyond nine (9) years since the date of his first appointment.

For 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 CEO / Managing Director 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 that could facilitate the Board in the 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 officers 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 is subject to shareholders approval in an annual general meeting, save for the proposed one-off fees amounting to S\$112,000 to be paid to the Directors (which is subject to shareholders' approval) in view of the work undertaken by the current Board to attend to matters arising from, *inter alia*, the Special Audit. 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 Chief Executive Officer and other officers of the Group. This in turn enables them to make enquiries or seek clarifications on the Group's affairs. The Independent Directors meet regularly on their own without the presence of management and provide feedback to the CEO after such meetings.

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

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 Executive Director for the Company. Mr Quek Chek Lan is the Chief Executive Officer of the Company and is responsible for managing the Company's business. Further information on the Chairman and the CEO can be found on pages 10 and 11 of the annual report. The roles of the Chairman and the CEO are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power and independent decision making. The Chairman and the CEO are not related to each other.

The Board has not appointed a Lead Independent Director as the Chairman and the CEO 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 when the Board situation 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 CEO.

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 Jit Siew	(Non-executive & Independent)
	Mr Nicholas Jeyaraj s/o Narayanan	(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 regards to any adjustments that are deemed necessary;
- annually review whether or not a Director is independent, in accordance with Guideline 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;
- review and recommend to the Board for re-election of 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 / her 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 for assessing the contribution by each individual Director to the effectiveness of the Board;
- review of succession plan for directors, in particular, of the Chairman/Chief Executive Officer; and
- make recommendation concerning any matters relating to the continuation in office as a Director and appointment of new Director at any time.

Report on Corporate Governance

When sourcing for potential appointees, the NC goes through the process of shortlisting, selection and appointment of all new directors. The sources for new candidates include recommendation, executive search or 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 of the Company, one-third of the Directors including the Managing Director, retire from office at each Annual General Meeting (the "AGM"). The Directors submit themselves for re-election at regular intervals of at least once every 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	29 July 2015
Mr Lim Jit Siew	12 October 2015	–
Mr Wong Joo Wan	12 October 2015	–
Mr Nicholas Jeyaraj s/o Narayanan	12 October 2015	–

After assessing the contribution and performance of the retiring Director, the Nominating Committee 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 Company's Constitution. Pengiran Muda Abdul Qawi has offered himself for re-election and the Board has accepted the recommendation of the Nominating Committee.

Directors' Commitments

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

Name of Director	Listed Company Board Representation other than KLV Holdings Limited
Pengiran Muda Abdul Qawi	Nil
Mr Lim Jit Siew	Nil
Mr Wong Joo Wan	Lifebrandz Ltd
	Ecowise Holdings Limited
Mr Nicholas Jeyaraj s/o Narayanan	Annica Holdings Limited

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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 may not be necessary for the Company's present circumstances and hence, the Board has not set a maximum number of listed company directorships which any Director may hold. The Board has instead tasked the NC to review if a Director with multiple board representations is devoting sufficient time and attention to the affairs of the Group. The NC is satisfied that sufficient time and attention is being 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 were collated and consolidated responses are presented during 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 FY2015/16. 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 board assessment are in respect of board size, board independence, board processes, the board's key responsibilities and accountability and the board's performance in relation to discharging their responsibilities as set out in their terms of reference.

In assessing overall Directors' contribution and performance of the Board, the NC also takes into consideration the Directors' attendance, preparedness, participation and candour of the meetings of the Board, Board Committees and general meeting; individual director's functional expertise and his commitment to the Company. Board Committees assessment are incorporated into Board assessment as a whole. The NC is reviewing the current assessment process to take into consideration recommendation by the Code i.e. separate Board committees' assessment and assessment of the contribution of the Chairman to the Board 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.

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 Board and Board Committees' minutes. Quarterly management accounts are tabled at each Board and AC meeting so as to enable the Board to carry out their duties. Directors may also liaise with senior executives and other employees to seek additional information if required. The Chief Executive Officer / Managing Director 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 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.

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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 to render the advice. The cost of such service will be borne by the Company.

The Company Secretary attends all Board and Board Committee meetings. He / she prepares the agenda and also writes up the minutes of the Board and Board Committee meetings. The Company Secretary or his/her representative(s) attends all Board and Board committees meetings. Together with management, the Company Secretary is responsible for ensuring that appropriate board procedures are followed and that the requirements of the Companies Act, Chapter 50 of Singapore and the Catalist Rules are complied with. All Directors have separate and independent access to 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 Nicholas Jeyaraj s/o Narayanan	(Non-executive & Independent)
Members:	Mr Lim Jit Siew	(Non-executive & Independent)
	Mr Wong Joo Wan	(Non-executive & Independent)

The RC shall:-

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Board and to determine specific remuneration packages for the executive Director 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 are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- determine targets for any performance related pay schemes operated by the Group, taking into account pay and employment conditions within the industry and in comparable companies;

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- within the terms of the agreed policy, determine the total individual remuneration package of each executive Director 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 in the event of early termination including compensation commitments and fixing appointment period for the Directors; and
- determine whether Directors and key management 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 CEO and key management 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 all Directors and management.

Procedures for Setting Remuneration

The Company has implemented a formal and transparent procedure and policies in relation to executive remuneration and for determining 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 personnel, 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 Group'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 Group.

Directors' and Key Management's Remuneration

Non-executive and Independent Directors are paid yearly Directors' fees calculated based on the recommended guidelines from the Singapore Institute of Directors and taking into account the factors such as effort and time spent and the increasing 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 have any service agreements with the Company and do not receive any other remuneration from the Company, save for the proposed one-off fees amounting to S\$112,000 to be paid to the Directors (which is subject to shareholders' approval) in view of the work undertaken by the current Board to attend to matters arising from, *inter alia*, the Special Audit.

The current CEO and the previous Managing Director is/was paid based on their service agreements with the Company which is subject to review by the RC.

Under the terms of their service agreements, the former Managing Director was entitled to an incentive bonus based on his individual performance and conduct for that year. The remuneration for the current Chief Executive Officer comprises a basic salary component and a variable component, namely the annual bonus.

The terms of our Executive Directors' service agreements and their remuneration packages are subject to review by the RC. There are no excessive or onerous removal clauses in these service agreements.

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

Remuneration disclosure for the financial year from 1 April 2015 to 31 March 2016

Remuneration of Directors for the financial period under review

Remuneration band and Name of Directors	Fixed Salary (\$\$)	Allowance (\$\$)	Commission / Incentives (\$\$)	Bonus (\$\$)	Directors' fee ⁽¹⁾ (\$\$)
Pengiran Muda Abdul Qawi	–	–	–	–	103,000 ⁽⁶⁾
Lim Jit Siew ⁽²⁾	–	–	–	–	71,000 ⁽⁶⁾
Wong Joo Wan ⁽²⁾	–	–	–	–	63,000 ⁽⁶⁾
Nicholas Jeyaraj s/o Narayanan ⁽²⁾	–	–	–	–	63,000 ⁽⁶⁾
Lee Boon Teck ⁽³⁾	416,230	–	–	–	–
Ho Pong Chong ⁽⁴⁾	–	–	–	–	15,000 ⁽⁷⁾
Teo Hin Guan ⁽⁵⁾	–	–	–	–	15,000 ⁽⁷⁾
Low Hai Lee ⁽⁵⁾	–	–	–	–	15,000 ⁽⁷⁾

⁽¹⁾ The remuneration in the form of Directors' fee is subject to the approval of shareholders at the forthcoming Annual General Meeting. Total director fees represent a pro rate based on tenure of the directors' appointment to the Board and payable in cash.

⁽²⁾ Mr Lim Jit Siew, Mr Wong Joo Wan and Mr Nicholas Jeyaraj s/o Narayanan were elected as Independent Directors by shareholders at the EGM on 12 October 2015.

⁽³⁾ Mr Lee Boon Teck was removed by shareholders as Managing Director at the EGM on 12 October 2015.

⁽⁴⁾ Mr Ho Pong Chong resigned as Independent Director on 13 October 2015.

⁽⁵⁾ Mr Teo Hin Guan and Mr Low Hai Lee were both removed by shareholders as Independent Directors at the EGM on 12 October 2015.

⁽⁶⁾ Inclusive in the Directors' fees for the current board is a proposed one-off special directors' fee totaling S\$112,000 for FY15/16 (such fee being subject to shareholders' approval at the upcoming AGM) as compensation for the additional work undertaken for the financial year ended 31 March 2016 by the current board to deal with the issues arising from the special audit report issued by PricewaterhouseCoopers LLP in 2015, queries by the SGX-ST and Commercial Affairs Department, including being named the authorised bank signatories for the Company and certain of the Company's subsidiaries and also being named as directors for certain of the Company's subsidiaries.

⁽⁷⁾ Such fees being subject to shareholders' approval at the upcoming AGM.

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

Remuneration band and name of key executives	Fixed Salary (%)	Allowance (%)	Commission / Incentives (%)	Bonus (%)	Benefit in kind (%)
\$250,000 to below \$500,000					
Quek Chek Lan ⁽¹⁾	96			4	
Below \$250,000					
Koh Wee Ann, Sam	60	31	–	9	–
Ngo Yu Peng, Felicia	89	1	–	10	–
Goh Eng Kiat	72	20	–	8	–
Koh Shiao Fang, Fyn	59	35	–	6	–
Lee Wan Cha, Adeline	87	1	–	12	–

⁽¹⁾ Mr Quek Chek Lan was appointed by the Board on 16 October 2015.

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Remuneration of employees who are immediate family members of a (former) Director

Mr Lee Choon Tai is the father of former managing director Mr Lee Boon Teck. His remuneration for FY15/16 was between S\$50,000 to S\$100,000. Mdm Lau Poh Hong is the wife of the former managing director, Mr Lee Boon Teck whose remuneration for FY15/16 did not exceed S\$50,000. Mr Lee Choon Tai and Mdm Lau Poh Hong were directors of Ambertree Pte Ltd for FY15/16 and they resigned from their positions as directors of Ambertree Pte Ltd on 1 June 2016.

Save as disclosed above, there were no employees who are immediate family members of the Managing Director or a Director 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 CEO and key management. There are no termination, retirement, and post-employment benefits that may be granted to the Directors and key executives. The key executives' remuneration package in the Group comprises of fixed salary, allowances, commission and bonuses depending on their role and responsibilities in the organisation. Yearly bonuses declared were 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 compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST, for instance, by establishing written policies where appropriate.

In line with the requirements under the rules of the SGX-ST 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 Chief Executive Officer and Group Financial Controller have provided assurance to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems.

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. As announced by the Company on 26 August 2015, pursuant to Rule 705(2)(c) of the Catalist Rules, the Company will begin announcing its quarterly unaudited financial results, its maiden announcement being in respect of the quarter ending 30 June 2016 to be released on or before 14 August 2016.

Significant variances for the comparative period were 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 in order that it may effectively discharge its duties.

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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 CEO 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 certain 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

As mentioned above, with effect from 24 March 2016 the Board has engaged BDO LLP as the new internal auditor ("IA") to carry out the Company's internal audit function for FY15/16 onwards. 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 FY15/16 covers the continuation of addressing 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.

The IA was also tasked to determine the adequacy of the Group's checks and balances in risk management and internal control systems. The AC and the Board have since carried out a series of control measures and adoption of recommendations put forward by PWC and the IA to strengthen the internal control procedures and disclosure policies. (Please refer to the Company's announcement dated 10 November 2015 and attachment titled "Findings to Date by the Special Auditors").

The AC has set in place internal controls such as approving limits for cheque signatories and authorities for Chief Executive Officer and has relied on the assistance of External Auditor, Baker Tilly TFW LLP (in the course of their audit) and BDO LLP to conduct an internal audit on the Group to ensure compliance.

The current Board has received assurance from the CEO and Group Financial Controller that the financial records of the Group for the financial year ended 31 March 2016 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:

Report on Corporate Governance

- (a) In light of the recent events as highlighted above, the Chief Executive Officer and Group Financial Controller are unable to opine on the effectiveness of the Company's risk management and internal controls system for the period commencing from 1 April 2015 to 16 October 2015. For the same reasons mentioned above, the Board, with the concurrence of the AC, is of the opinion that they cannot opine on the adequacy of the Group's internal controls systems (including financial, operational, compliance and information technology risks, and risk management systems) for the period commencing from 1 April 2015 to 16 October 2015.
- (b) The Current Board has received assurance from the Chief Executive Officer and Group Financial Controller that the Group's risk management and internal controls system are adequate and effective for the period commencing from 16 October 2015 to 31 March 2016.

Based on the internal controls (including financial, operational, compliance and information technology controls) 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 as well as 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 2016.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, 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 Jit Siew	(Non-executive & Independent)
Members:	Mr Wong Joo Wan	(Non-executive & Independent)
	Mr Nicholas Jeyaraj s/o Narayanan	(Non-executive & Independent)

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 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;
- to review with the internal and external auditors, their evaluation of the Group's system of internal controls;
- to review with the internal and external auditors, 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;

Report on Corporate Governance

- to review the balance sheet and profit and loss accounts of the Company and the consolidated financial statements and profit and loss accounts and to submit them to the Board; and
- 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 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 Directors and/or executive officers to attend its meetings.

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 and 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 auditor, 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 auditor without the presence of the Management for FY15/16.

The AC is kept abreast by the Management and the external auditor of changes to accounting standards. Prior to commencement of 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, if any.

External Auditor

The AC reviews the independence and objectivity of the independent 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 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 and has recommended the re-appointment of the external auditor at the AGM of the Company. 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 8 of the Financial Statements.

The Group has appointed the same auditing firm and its associates to audit all its entities for FY15/16.

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 Singapore Companies Act, the Company endeavours to maintain constant and effective communications with shareholders through timely and comprehensive announcements.

The Company disseminates the 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 Company's Constitution allows each shareholder to appoint up to two (2) proxies to attend general

Report on Corporate Governance

meetings. In addition, the Act also allows corporations which provide nominee or custodial services to appoint more than two proxies so 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 in public announcements, press releases and annual reports to shareholders.

The Company maintains an updated corporate website to keep shareholders abreast with 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 Company's Constitution allows shareholders to vote by proxies. Proxy forms can be sent to the Company by mail. Each issue or matter requiring shareholders' approval are tabled in the form of separate and distinct resolutions at general meetings. The Board of Directors had attended the meetings for FY15/16 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.

The Company will make available minutes of general meetings to shareholders upon their request. Resolutions are passed at the general meetings by poll. As the number of shareholders who attend the general meetings are generally not large, it is not cost effective to have voting by electronic polling. Results were 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.

Report on Corporate Governance

DEALINGS IN THE COMPANY'S SECURITIES

The Group has adopted an internal code to provide guidance to its officers 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 as follows:
 - (i) where the Company is required to make announcements on its half yearly financial statements: during the period commencing one (1) month before the announcement of the Company's half-year and full year financial statements; and
 - (ii) where the Company is required to make quarterly announcements on its quarterly financial statements (i.e. beginning from the quarter ended 30 June 2016), 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 transactions with interested persons are reported in a timely manner to the AC and those 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 2016 and the Group does not have a shareholders' mandate for interested person transactions.

MATERIAL CONTRACTS

No material contracts have been entered into by the Company and its subsidiaries involving the interests of the Chairman and Chief Executive Officer/Managing Director, each Director or controlling shareholder as at the end of the financial year or have been entered into since the end of the previous financial year.

USE OF PROCEEDS

The Company raised a total sum of S\$55.52 million (net) through (1) a placement exercise and (2) Rights shares cum Warrants Issue in FY15/16. The Company had made regular announcements on 27 October 2014, 4 June 2015 and 31 May 2016 of the use of 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.

Report on Corporate Governance

The utilisation of proceeds from the Company's 2014 Rights cum Warrants Issue as at 12 July 2016 is as follows:

Use of proceeds	Revised allocation	Balance brought forward	Utilisation	Balance
Funding acquisition opportunities	S\$32.84 million	S\$21.74 million	S\$11.22 million	S\$10.52 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\$28.66 million	S\$11.22 million	S\$17.44 million

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and procedures which provide employees 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 periodical review to ensure continual effectiveness, and may only be amended upon approval by the AC. The current whistle blowing policy will include external parties such as customers, suppliers, contractors and other stakeholders by third quarter of 2016. Meanwhile, the external parties can lodge their report, if any, via email to the new Company Secretary, Mr Abdul Jabbar Bin Karam Din at abdul.jabbar@rajahtann.com who will then direct the report to the AC.

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 previous sponsor, SAC Capital Private Limited as well as current sponsor, R & T Corporate Services Pte. Ltd. for FY15/16.

The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of the Sponsor, for work done in FY15/16 was S\$6,000.00.

TREASURY SHARES

There are no treasury shares held by the Company at the end of the financial year from 1 April 2015 to 31 March 2016.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of KLV 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 2016.

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 39 to 108, 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 2016, 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 Singapore Financial Reporting Standards; 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 in office at the date of this statement are:

Pengiran Muda Abdul Qawi	(Non-Executive Chairman)
Lim Jit Siew	(Independent Director) (Appointed on 12 October 2015)
Wong Joo Wan	(Independent Director) (Appointed on 12 October 2015)
Nicholas Jeyaraj s/o Narayanan	(Independent Director) (Appointed on 12 October 2015)

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 director		Shareholdings in which a director is deemed to have an interest	
	At 1.4.2015	At 31.03.2016	At 1.4.2015	At 31.03.2016
The Company				
Ordinary shares				
Pengiran Muda Abdul Qawi	—	—	500,000,000	500,000,000
Options to subscribe for ordinary shares				
Pengiran Muda Abdul Qawi	2,000,000,000	2,000,000,000	—	—

The directors' interest in the ordinary shares of the Company as at 21 April 2016 were the same as those as at 31 March 2016.

Directors' Statement

Share options

Warrants

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 on 3 July 2014 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 for each new share. The warrants will expire on 30 June 2017. As at 31 March 2016 and 31 March 2015, no warrants were exercised and converted into ordinary shares of the Company.

Option 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 S\$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. As at 31 March 2016 and 31 March 2015, the call option has not been exercised. 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 and will expire on 11 December 2016.

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 and at the Issue Price for each Option Share. 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.

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 Jit Siew	– Chairman
Wong Joo Wan	– Member
Nicholas Jeyaraj s/o Narayanan	– 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 ethics 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;
- to review with the internal and external auditors, their evaluation of the Group's system of internal controls;
- to review with the internal and external auditors, 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 and 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

Lim Jit Siew
Director

Wong Joo Wan
Director

12 July 2016

Independent Auditor's Report

To the members of K LW Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of K LW Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 39 to 108, which comprise the balance sheets of the Group and the Company as at 31 March 2016 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 financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Opening balances

We, together with the component auditors, were appointed as auditors of the Company and its subsidiaries subsequent to the balance sheet date. 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;
- (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; and
- (iii) the accuracy of asset revaluation reserve and the deferred tax liabilities arising from the revaluation of the leasehold land and buildings amounting to \$3,973,109 and \$1,267,315 respectively of a subsidiary as at 31 March 2015.

Independent Auditor's Report

To the members of K LW Holdings Limited

Report on the Financial Statements (cont'd)

Basis for Qualified Opinion (cont'd)

Opening balances (cont'd)

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.

Our opinion on the current year's financial statements of the Group is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures in respect of:

- (i) the balance of inventories as presented on the balance sheet and the line items of the inventories as disclosed in Note 18 to the financial statements; and
- (ii) the line items of trade receivables, due from/to customers on contract work and trade payables as disclosed in the Notes 16, 17 and 20 to the financial statements in respect of contract work-in-progress.

Asset revaluation reserve and deferred tax liabilities

As described in the above paragraphs, we were unable to obtain sufficient appropriate evidence to determine whether the asset revaluation reserve and deferred tax liabilities of the Group arising from the revaluation of the leasehold land and buildings were properly and accurately accounted for in the prior years and during the financial year ended 31 March 2016. Accordingly, we are unable to determine whether adjustments might have been necessary in respect of the deferred tax expense reported in the consolidated statement of comprehensive income during the year and the closing balances of asset revaluation reserve and deferred tax liabilities reported in the consolidated balance sheet as at 31 March 2016.

Loans due from former subsidiaries

As disclosed in Note 5 to the financial statements, the Group has written off loans due from its former subsidiaries, Teeni Enterprise Pte Ltd and Teeni Universal Pte Ltd, amounting to \$876,013 in aggregate during the financial year ended 31 March 2016. These loans were waived in the previous financial year ended 31 March 2015 by the then Managing Director of the Company. However, the waivers were not recorded in the previous year's financial statements as the waiver letters signed by the then Managing Director only came to the attention of the management during the current financial year. As disclosed in Note 16 to the financial statement, the Board of Directors has 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 the previous financial year, the profit for the current financial year ended 31 March 2016 would have increased by \$876,013.

Qualified Opinion

In our opinion, except for the possible effects of the matters regarding the opening balances, asset revaluation reserve and deferred tax liabilities, and the effects of the matter regarding the write-off of loans due from former subsidiaries described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Independent Auditor's Report

To the members of KLV Holdings Limited

Report on the Financial Statements (cont'd)

Emphasis of Matters

We draw your attention to the following disclosures in the notes to the financial statements:

Legal claims and contingent liabilities

As disclosed in Note 34 to the financial statements, the Company has on-going legal claims to recover commitment fees of \$7.0 million paid by a subsidiary relating to a property development project in the People's Republic of China. The amount has been fully provided for in the financial statements of the Group during the previous financial year ended 31 March 2015. In the event that there is any recovery of the commitment fees, adjustments may have to be made in the financial statements of the Group.

As further disclosed in Note 34 to the financial statements, the counterparty has filed a defence and counterclaims against the Company for a total sum of \$3.45 million. The directors of the Company are of the view that no liabilities are required to be recognised in the financial statements for the financial year ended 31 March 2016 in respect of the counterclaims filed against the Company.

Investigation by the Commercial Affairs Department

As disclosed in Note 35 to the financial statements, on 19 November 2015, the Company received a notice from the Commercial Affairs Department ("CAD") of the Singapore Police Force which states that the CAD is investigating an offence under the Securities and Futures Act (Chapter 289 of Singapore).

The directors of the Company has advised that the CAD has not provided any details of its investigation and that, at the date of this report the investigation is on-going. 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.

Our opinion is not further qualified in respect of the above matters.

Other Matter

The financial statements for the financial year ended 31 March 2015 were audited by another independent auditor whose report dated 8 July 2015 contained a disclaimer of opinion on the consolidated financial statements of the Group and the balance sheet of the Company as detailed in Note 37 to the financial statements.

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.

Baker Tilly TFW LLP

Public Accountants and
Chartered Accountants
Singapore

12 July 2016

Consolidated Statement of Comprehensive Income

For the financial year ended 31 March 2016

		Group	
	Note	2016 \$	2015 \$
Revenue	4	54,247,267	41,255,417
Cost of sales		(37,322,393)	(29,566,413)
Gross Profit		16,924,874	11,689,004
Other income	5	1,551,306	1,030,690
Selling and distribution expenses		(1,128,945)	(1,348,488)
Administrative expenses		(9,944,000)	(9,180,486)
Other expenses	5	(1,297,622)	(7,381,434)
Finance costs	6	(1,277,513)	(859,948)
Profit/(loss) before tax	8	4,828,100	(6,050,662)
Tax expense	9	(1,079,560)	(265,605)
Profit/(loss) for the year		3,748,540	(6,316,267)
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		(1,099,518)	(167,472)
Total comprehensive income/(loss) for the financial year		2,649,022	(6,483,739)
Profit/(loss) attributable to:			
Equity holders of the Company		3,748,540	(6,316,267)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		2,649,022	(6,483,739)
Earnings/(loss) per share (cents per share)	10		
- Basic		0.070	(0.133)
- Diluted		0.070	(0.133)

Balance Sheets

At 31 March 2016

		Group		Company	
	Note	2016 \$	2015 \$	2016 \$	2015 \$
Non-current assets					
Property, plant and equipment	11	20,134,380	19,554,601	40,615	122,255
Investment property	12	26,470,925	26,577,974	—	—
Investments in subsidiaries	14	—	—	28,819,808	39,319,805
Available-for-sale financial assets	15	2,767	2,767	—	—
Prepayments	16	15,254	1,526,466	—	—
		46,623,326	47,661,808	28,860,423	39,442,060
Current assets					
Development property	13	13,690,554	—	—	—
Trade and other receivables	16	10,627,012	20,827,271	22,837,621	29,740,359
Inventories	18	5,968,879	8,602,407	—	—
Cash and cash equivalents	19	35,945,714	31,246,852	28,492,987	22,574,941
		66,232,159	60,676,530	51,330,608	52,315,300
Total assets		112,855,485	108,338,338	80,191,031	91,757,360
Non-current liabilities					
Shares with preference rights	21	—	5,565,000	—	5,565,000
Borrowings	22	17,844,866	18,545,180	—	—
Deferred tax liabilities	23	1,072,555	1,095,489	—	—
		18,917,421	25,205,669	—	5,565,000
Current liabilities					
Trade and other payables	20	7,822,868	4,460,351	654,433	651,038
Shares with preference rights	21	5,160,000	—	5,160,000	—
Borrowings	22	986,984	1,710,812	—	10,428
Income tax payable		980,578	622,894	—	—
		14,950,430	6,794,057	5,814,433	661,466
Total liabilities		33,867,851	31,999,726	5,814,433	6,226,466
Net assets		78,987,634	76,338,612	74,376,598	85,530,894
Equity					
Share capital	24	103,170,633	103,170,633	103,170,633	103,170,633
Revaluation and other reserves	25	4,514,723	5,614,241	3,286,752	3,286,752
Accumulated losses		(28,697,722)	(32,446,262)	(32,080,787)	(20,926,491)
Total equity		78,987,634	76,338,612	74,376,598	85,530,894

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 March 2016

	← Attributable to equity holders of the Company →					
	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Warrant reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Group						
Balance at 1 April 2014	48,013,638	3,973,109	(1,478,148)	–	(26,129,995)	24,378,604
Loss for the financial year	–	–	–	–	(6,316,267)	(6,316,267)
Other comprehensive loss	–	–	(167,472)	–	–	(167,472)
Total comprehensive loss for the year	–	–	(167,472)	–	(6,316,267)	(6,483,739)
<u>Contribution by and distribution to owners</u>						
Issuance of shares	55,518,810	–	–	3,286,752	–	58,805,562
Shares issuance expense	(361,815)	–	–	–	–	(361,815)
Total contribution by and distribution to owners	55,156,995	–	–	3,286,752	–	58,443,747
Balance at 31 March 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 profit/(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

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

Statement of Changes in Equity

For the financial year ended 31 March 2016

	Share capital \$	Warrant reserve \$	Accumulated losses \$	Total \$
Company				
Balance at 1 April 2014	48,013,638	–	(20,731,498)	27,282,140
Loss and total comprehensive loss for the year	–	–	(194,993)	(194,993)
Issuance of shares	55,156,995	3,286,752	–	58,443,747
Balance at 31 March 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

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2016

	Group	
	2016	2015
	\$	\$
		(Reclassified, Note B)
Cash flows from operating activities		
Profit/(loss) before tax	4,828,100	(6,050,662)
Adjustments for:		
Fair value gain on investment property	(612,967)	–
Depreciation of property, plant and equipment	807,322	794,251
Loss/(gain) on disposal of property, plant and equipment	5,346	(25,453)
Reversal of impairment loss of trade receivables	–	(39,212)
Write back of long outstanding other payable	–	(47,641)
Impairment loss of trade and other receivables	–	7,381,434
Interest expense	1,277,513	859,948
Interest income	(423,546)	(186,104)
Impairment loss on property, plant and equipment	416,263	–
Loans due from former subsidiaries written off	876,013	–
Operating profit before working capital changes	7,174,044	2,686,561
Inventories	2,235,804	(2,363,481)
Trade and other receivables	211,432	(1,454,228)
Trade and other payables	4,084,902	426,030
Development property	(12,206,300)	(1,327,120)
Currency translation adjustments	(716,698)	127,026
Cash generated from/(used in) operations	783,184	(1,905,212)
Interest paid	(72,793)	(25,970)
Interest income received	423,546	186,104
Income taxes paid	(520,996)	(2,645)
Net cash generated from/(used in) operating activities	612,941	(1,747,723)
Cash flows from investing activities		
Other receivables		
- Due from its former subsidiaries	20,000	423,228
- Commitment fees	9,000,000	(16,200,000)
Proceeds from disposal of property, plant and equipment	117,969	89,963
Purchase of investment property	–	(27,584,498)
Purchase of property, plant and equipment (Note A)	(2,681,596)	(5,828,374)
Net cash outflow on acquisition of a subsidiary (Note 14)	–	(2,122,255)
Net cash generated from/(used in) investing activities	6,456,373	(51,221,936)

Consolidated Statement of Cash Flows (cont'd)

For the financial year ended 31 March 2016

	Group	
	2016 \$	2015 \$ (Reclassified, Note B)
Cash flows from financing activities		
Proceeds from issuance of new shares	—	58,805,562
Share issuance expenses	—	(361,815)
Bank borrowings drawdown	—	16,394,954
Repayment of borrowings	(954,815)	(417,021)
Withdrawal of pledged fixed deposits	—	20,839
Interest paid	(1,204,720)	(833,978)
Net cash (used in)/generated from financing activities	(2,159,535)	73,608,541
Net increase in cash and cash equivalents	4,909,779	20,638,882
Cash and cash equivalents at the beginning of the financial year	31,246,852	10,803,453
Effect of exchange rate changes on cash and cash equivalents	(210,917)	(195,483)
Cash and cash equivalents at the end of the financial year (Note 19)	35,945,714	31,246,852

Note A

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

	Group	
	2016 \$	2015 \$
Property, plant and equipment purchased during the financial year (Note 11)	3,048,751	8,048,284
Add: Deposit paid to purchase office unit (Note 16)	227,852	—
Add: Prepayment to supplier for purchase of certain plant and equipment (Note 16)	(595,007)	1,504,847
Less: Amount outstanding as at end of the previous financial year	—	(3,724,757)
Cash payment to acquire property, plant and equipment	2,681,596	5,828,374

Note B

Certain comparative figures of the consolidated statement of cash flows have been reclassified to conform with the current year's presentation. The effects of the reclassifications are as follows:

	As previously reported 2015 \$	As reclassified 2015 \$
Net cash generated from/(used in)		
- operating activities	(2,759,428)	(1,747,723)
- investing activities	(51,044,209)	(51,221,936)
- financing activities	74,442,519	73,608,541

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

Notes to the Financial Statements

For the financial year ended 31 March 2016

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 14.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and under the historical cost convention except as disclosed in the accounting policies below. The financial statements are presented in Singapore dollar ("S\$"), which is the functional currency of the Company.

The preparation of financial statements in conformity with FRS 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 judgment 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 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 FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS 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 2016

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

(a) Basis of preparation (cont'd)

New and revised 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 2016 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. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

FRS 109 Financial Instruments

FRS 109 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. FRS 109, when effective, will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

(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 cease.

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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(b) Basis of consolidation (cont'd)

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.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interests in the subsidiary's equity.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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 retained earnings if required by a specific FRS.

(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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(d) Foreign currency

(i) *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").

(ii) *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.

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.

(iii) *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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(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.

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. Leasehold land and buildings had been last revalued at 31 March 2014 based on valuations performed by accredited 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 retained earnings 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

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

Construction in progress is not depreciated. Depreciation of other property, plant and equipment is calculated on a straight-line basis to write off 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.

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

(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 measured 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 they 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(h) Impairment of non-financial assets

At balance sheet date, the Group reviews 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 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.

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 reversal of an impairment loss is recognised immediately in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(j) Contract work-in-progress (cont'd)

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). In the previous financial years, the stage of completion was measured by reference to the contract costs incurred to-date to the estimated total costs for the contract. Changing the way the stage of completion was determined in the current financial year has no significant effect in the financial statements. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs 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".

(k) Financial assets

(i) Classification

The Group classifies its financial assets according to the nature of the assets in 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), "amounts due from subsidiaries" and "cash and cash equivalents" on the balance sheet.

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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(k) Financial assets (cont'd)

(ii) 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.

(iii) Initial measurement

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

(iv) 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 the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method 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. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(v) Impairment

Loans and receivables

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

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.

Available-for-sale financial assets

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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(k) Financial assets (cont'd)

(v) Impairment (cont'd)

Available-for-sale financial assets (cont'd)

Impairment loss for available-for-sale financial assets carried at cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

(vi) Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Company 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 sheet 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(o) Leases

When a Group entity is the lessee:

(i) 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 liability and finance charges. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost 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.

(ii) 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:

(i) Operating leases

Leases where the Group entity retains substantively 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(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 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 2016

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) Borrowings

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest-method. Borrowings which are due to be settled within 12 months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, either in other comprehensive income or directly on equity.

Current tax is the expected tax payable or recoverable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, 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 balance sheet date 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 transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 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 balance sheet date.

Deferred tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

(w) 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 high liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(x) 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.

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.

(y) 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.

(z) 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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).

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

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 14, 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.

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.

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 amount 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 2016 and the annual depreciation charge for the financial year ended 31 March 2016 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.

Revenue from contract work

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a contract can be estimated reliably. Significant assumptions are required to estimate the total contract costs and the recoverable variation works. 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 17.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Key sources of estimation uncertainty (cont'd)

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 properties are disclosed in Notes 11 and 12 respectively.

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. 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. 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.

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 has not recognised any additional tax liability on these uncertain tax positions. 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 deferred tax assets and liabilities as at 31 March 2016 are disclosed in Note 23.

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.

Impairment of 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 2016 are disclosed in Note 18.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Key sources of estimation uncertainty (cont'd)

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 impairment loss recognised during the financial year and the carrying amount of the Company's investments in subsidiaries as at 31 March 2016 are disclosed in Note 14.

Contingent asset or liability arising from legal claim

As disclosed in Note 34, management is of the view that no provision is necessary in respect of the financial year ended 31 March 2016 as the litigation is still on going.

4. Revenue

	Group	
	2016 \$	2015 \$
Sale of goods	51,877,505	35,422,808
Revenue from contract work	1,050,158	3,616,692
Rental income	1,319,604	2,215,917
	54,247,267	41,255,417

5. Other income/expenses

	Group	
	2016 \$	2015 \$
<u>Other income:</u>		
Interest income	423,546	186,104
Gain on disposal of property, plant and equipment	—	25,453
Sale of scraps	200,864	139,756
Currency translation gain, net	—	440,546
Fair value gain on investment property (Note 12)	612,967	—
Government grants	77,486	56,366
Reversal of impairment loss of trade receivables	—	39,212
Write-back of long outstanding other payables	45,522	47,641
Others	190,921	95,612
	1,551,306	1,030,690

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

Notes to the Financial Statements

For the financial year ended 31 March 2016

5. Other income/expenses (cont'd)

	Group	
	2016 \$	2015 \$
Other expenses:		
Impairment loss of trade and other receivables (Note 16)	—	7,381,434
Impairment loss on property, plant and equipment (Note 11)	416,263	—
Loans due from former subsidiaries written off (Note 16)	876,013	—
Loss on disposal of property, plant and equipment	5,346	—
	1,297,622	7,381,434

6. Finance costs

	Group	
	2016 \$	2015 \$
Finance leases	6,309	8,892
Bankers' acceptance and foreign currency loan against import	20,002	41,465
Term loan	718,729	261,239
Finance cost for shares with preference rights	459,680	522,382
Others	72,793	25,970
	1,277,513	859,948

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).

7. Staff costs

	Group	
	2016 \$	2015 \$
Staff costs (including directors):		
Salaries and bonuses	12,350,452	10,231,436
Contributions to defined contribution plans	277,103	276,374
Others	12,066	—
	12,639,621	10,507,810
Representing staff costs charged to:		
Cost of sales	7,719,710	6,030,850
Administrative expenses	4,919,911	4,476,960
	12,639,621	10,507,810

Notes to the Financial Statements

For the financial year ended 31 March 2016

8. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2016	2015
	\$	\$
Fees on audit services paid/payable to:		
- auditor of the Company	72,000	62,000
- other auditors*	90,973	82,443
Fees on non-audit services paid/payable to auditor of the Company	—	—
Depreciation of property, plant and equipment	807,322	794,251
Directors' fees:		
- Directors of the company	345,000	195,000
- Directors of a subsidiary	26,876	29,675
Currency translation loss, net	670,235	—
Inventories written down	1,197,249	—
Operating lease expenses	784,954	2,339,442
Staff costs (Note 7)	12,639,621	10,507,810

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

9. Tax expense

	Group	
	2016	2015
	\$	\$
Current year		
Current income tax		
- Current year	1,033,951	302,966
- (Over)/under provision in prior years	(22,429)	2,645
	1,011,522	305,611
Deferred tax		
- Current year	13,495	—
- Under/(over) provision in prior years	54,543	(40,006)
	68,038	(40,006)
Income tax expense	1,079,560	265,605

Notes to the Financial Statements

For the financial year ended 31 March 2016

9. Tax expense (cont'd)

A reconciliation of income tax calculated at the Singapore statutory corporate tax with income tax expense is as follows:

	Group	
	2016 \$	2015 \$
Profit/(loss) before tax	4,828,100	(6,050,662)
Tax calculated at statutory rate of 17%	820,777	(1,028,612)
Effect of different tax rates in foreign jurisdictions	749,924	284,082
Income not subject to tax	(1,720,018)	(888,588)
Expenses not deductible for income tax purposes	777,512	1,406,823
Deferred tax assets not recognised	364,047	529,261
(Over)/under provision of income tax in prior years	(22,429)	2,645
Under/(over) provision of deferred tax in prior years	54,543	(40,006)
Others	55,204	–
	1,079,560	265,605

The Group have unabsorbed tax losses and unutilised capital allowance of approximately \$34,658,000 and \$1,338,000 (2015: \$32,180,000 and \$996,000) 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 \$5,664,400 (2015: \$5,301,300) 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.

Singapore

The Company and subsidiaries in Singapore are subjected to an applicable tax rate of 17% (2015: 17%). Certain subsidiaries are in a tax loss position for both the financial year and hence they are not subjected to tax in the respective years.

Australia

Subsidiaries in Australia are subjected to an applicable tax rate of 30% (2015: 30%). One of the subsidiaries is in a tax loss position (2015: both of the subsidiaries are in tax loss position) for the current financial year and hence not subjected to tax.

Malaysia

Subsidiaries in Malaysia are subjected to an applicable tax rate of 24% (2015: 25%).

Notes to the Financial Statements

For the financial year ended 31 March 2016

9. Tax expense (cont'd)

China

Subsidiary in China is subjected to an applicable tax rate of 25% (2015: 25%). It is in a tax loss position for both financial years and hence not subjected to tax.

Hong Kong

Subsidiary in Hong Kong is subjected to an applicable tax rate of 16.5% (2015: 16.5%). It was in a tax loss position in the previous financial year and hence not subjected to tax.

Vietnam

Subsidiary in Vietnam is subjected to an applicable tax rate of 22% (2015: 22%). It was in a tax loss position in the previous financial year and hence not subjected to tax.

10. Earnings/(loss) per share

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

	Group	
	2016	2015
Profit/(loss) attributable to equity holders of the Company (\$)	3,748,540	(6,316,267)
<i>Number of shares</i>		
Weighted average number of ordinary shares (adjusted)	5,380,556,316	4,740,792,407
<i>Basic and diluted earnings/(loss) per share (cents)</i>	0.070	(0.133)

Basic and diluted earnings/(loss) per share amounts are calculated by dividing profit/(loss) 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/(loss) per share, profit/(loss) 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/(loss) per share because they are anti-dilutive for the financial year ended 31 March 2016 and 31 March 2015. 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 2016 and 31 March 2015.

As disclosed in Note 24, the Company has issued a one rights share with one free detachable warrant for every one existing ordinary share exercise in previous financial year. For the purpose of calculating basic and diluted earnings/(loss) per share, the weighted average number of ordinary shares have reflected these changes as if the rights issue were in existence for the entire previous financial year presented.

Notes to the Financial Statements

For the financial year ended 31 March 2016

11. Property, plant and equipment

	At valuation	At cost						Total
	Leasehold land and buildings	Land use rights	Plant and equipment	Motor vehicles	Office equipment	Renovation	Construction in progress	
	\$	\$	\$	\$	\$	\$	\$	\$
Group								
Cost/Valuation								
At 1 April 2014	9,084,301	–	8,257,603	571,192	171,124	321,306	–	18,405,526
Arising from acquisition of a subsidiary (Note 14)	–	378,819	–	–	–	–	1,743,436	2,122,255
Additions	4,646,313	–	264,513	271,953	183,723	50,798	2,630,984	8,048,284
Disposals	–	–	(567,688)	(40,830)	–	(40)	–	(608,558)
Currency translation	(227,589)	–	(447,135)	(153,996)	(751)	(787)	(128,515)	(958,773)
At 31 March 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
Accumulated depreciation and impairment losses								
At 1 April 2014	23,631	–	7,248,512	392,130	99,367	66,419	–	7,830,059
Additions	329,282	–	213,650	86,569	38,854	125,896	–	794,251
Disposals	–	–	(533,853)	(10,195)	–	–	–	(544,048)
Currency translation	(1,336)	–	(472,233)	(152,314)	(103)	(143)	–	(626,129)
At 31 March 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
Representing:								
Accumulated depreciation	667,346	–	5,922,194	288,437	177,764	326,296	–	7,382,037
Accumulated impairment losses	416,263	–	–	–	–	–	–	416,263
	1,083,609	–	5,922,194	288,437	177,764	326,296	–	7,798,300
Net carrying amount								
At 31 March 2016	11,702,213	355,215	933,533	259,743	187,380	53,081	6,643,215	20,134,380
At 31 March 2015	13,151,448	378,819	1,051,217	332,129	215,978	179,105	4,245,905	19,554,601

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

	Office equipment \$	Motor vehicles \$	Renovation \$	Total \$
Company Cost				
At 1 April 2014	–	48,645	245,000	293,645
Disposals	–	(20,167)	–	(20,167)
At 31 March 2015	–	28,478	245,000	273,478
Additions	5,177	–	–	5,177
At 31 March 2016	5,177	28,478	245,000	278,655
Accumulated depreciation				
At 1 April 2014	–	6,081	61,250	67,331
Charge for the financial year	–	7,827	81,667	89,494
Disposals	–	(5,602)	–	(5,602)
At 31 March 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
Net carrying amount				
At 31 March 2016	4,773	15,426	20,416	40,615
At 31 March 2015	–	20,172	102,083	122,255

Land use rights with carrying amount of \$355,215 (2015: \$378,819) represent the rights over few plots of state-owned land in Vietnam. The land use rights are not transferable.

Included in construction in progress of the Group with carrying amount of \$378,162 (2015: Nil) are two units of residential properties located in Vietnam, which is under construction as of 31 March 2016. 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 amounts of the Group's and of the Company's motor vehicles acquired under finance leases at the balance sheet date amounting to \$128,125 (2015: \$332,129) and Nil (2015: \$20,172) respectively.

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 buildings with a carrying amount of \$4,050,000 (2015: \$4,260,366) are pledged to financial institutions to secure the Group's bank loans (Note 22).

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Revaluation of leasehold land and buildings

The Group's leasehold land and buildings had been revalued in September 2013 (Factory 1), February 2014 (Factory 2) and July 2014 (Industrial building) based on valuations performed by accredited independent professional valuers. 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).

During the financial year, management carried out a review of the recoverable amount of its leasehold land and building. The recoverable amount of the leasehold land and building of one of its subsidiaries amounted to \$4,050,000 was determined on the basis of its fair value less cost of disposal. As a result of the review, an impairment loss of \$416,263 (2015: Nil) was recognised in "other expenses" for the financial year ended 31 March 2016.

The valuations are based on the market comparison approach. Details of valuation techniques and inputs used are disclosed in Note 31.

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Leasehold land and buildings	
	2016	2015
	\$	\$
Balance at beginning of the financial year	13,151,448	9,060,670
Additions	—	4,646,313
Impairment	(416,263)	—
Depreciation charge	(346,921)	(329,282)
Currency translation differences	(686,051)	(226,253)
Balance at end of the financial year	11,702,213	13,151,448
Total impairment losses and depreciation charge for the period included in profit or loss:		
Other expenses		
Impairment loss on property, plant and equipment	416,263	—
Depreciation charge	346,921	329,282

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	
	2016	2015
	\$	\$
Leasehold land and buildings		
Cost	10,202,803	10,202,803
Accumulated depreciation	(1,863,474)	(1,648,257)
Impairment	(416,263)	—
Currency translation differences	(932,317)	(317,696)
Net carrying amount	6,990,749	8,236,850

Notes to the Financial Statements

For the financial year ended 31 March 2016

12. Investment property

	Group	
	2016 \$	2015 \$
Balance sheet		
At beginning of the financial year	26,577,974	–
Additions	–	27,584,498
Fair value gain recognised in profit or loss	612,967	–
Currency translation differences	(720,016)	(1,006,524)
At end of the financial year	26,470,925	26,577,974
Statement of comprehensive income		
Rental income from investment property:		
- Minimum lease payments	1,319,604	496,065
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating property	391,371	243,964

Investment property is stated at fair value, which has been determined based on valuation performed by an accredited independent professional valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The valuation is based on the income capitalisation method that makes reference to estimated market rental values and equivalent yields. In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of the property is classified under Level 3 of the fair value hierarchy (Note 31).

The investment property held by the Group as at 31 March 2016 is as follows:

Description and Location	Existing use	Tenure	Land area (sqm)
A block of seven-storey building, 301 Flinders Lane, Melbourne, Australia.	Office/educational accommodation	Freehold	895

The Group's investment property with a carrying amount of \$26,470,925 (2015: \$26,577,974) is mortgaged to secure the Group's bank loans (Note 22).

Notes to the Financial Statements

For the financial year ended 31 March 2016

13. Development property

	Group	
	2016 \$	2015 \$
Property held for development	13,690,554	–

The information on the development property is as follows:

Location	Description	Tenure	Land area (sqm)	Percentage of completion at 31 March 2016	Interest held	Expected completion date
23 - 31 Lincoln Square South, Carlton, Melbourne, Australia.	A block of five-storey commercial office building/ redevelopment opportunity	Freehold	906	–	100%	Unknown

14. Investments in subsidiaries

	Company	
	2016 \$	2015 \$
Unquoted equity shares, at cost		
At beginning of the financial year	49,776,527	39,092,420
Additions	–	10,684,107
At end of the financial year	49,776,527	49,776,527
Less: Impairment losses		
At beginning of the financial year	10,456,722	10,456,722
Impairment loss during the year	10,499,997	–
At end of the financial year	20,956,719	10,456,722
Net carrying amount	28,819,808	39,319,805

Notes to the Financial Statements

For the financial year ended 31 March 2016

14. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

			Effect equity interest	
Name	Country of incorporation	Principal activities	2016 %	2015 %
<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
<i>Held through Ambertree Pte. Ltd.</i>				
Ambertree Development (Singapore) Pte. Ltd. ⁽⁴⁾	Singapore	Dormant	100	100
<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 ⁽²⁾	Hong Kong	Trading of doors, mouldings, floorings and related products	100	100
Key Bay Furniture Co., Ltd (“Key Bay”) ⁽⁶⁾ (Note B)	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⁾ Not required to be audited in the country of incorporation

⁽⁵⁾ Audited by Baker Tilly China

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

Notes to the Financial Statements

For the financial year ended 31 March 2016

14. Investments in subsidiaries (cont'd)

During the financial year, the management performed an impairment test for the Company's investments in subsidiaries. An impairment loss of \$10,499,997 (2015: Nil) 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 2016 and 31 March 2015 and represents 30% (2015: 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).

Note B - Key Bay

In the previous financial year, the Group's subsidiary, KLWR acquired a wholly-owned subsidiary, namely Key Bay Furniture, Co., Ltd ("Key Bay"), a company incorporated in Vietnam, from non-related parties for an aggregate consideration amount of \$2,122,255 (Approximately USD1,582,532).

The fair values of the identifiable assets and liabilities of Key Bay as at the acquisition date were as follows:

	2015 \$
<i>Net identifiable assets at fair value</i>	
Leasehold land	1,743,436
Land use rights	378,819
Total identifiable net assets	<u>2,122,255</u>
<i>Consideration transferred for the acquisition of Key Bay</i>	
Cash paid, representing total consideration transferred	<u>2,122,255</u>
<i>Effect of the acquisition of Key Bay on cash flows</i>	
Total consideration for 100% equity interest acquired, representing the net cash outflow	<u>2,122,255</u>

15. Available-for-sale financial assets

	Group	
	2016 \$	2015 \$
Quoted investments in equity securities listed on SGX-ST		
At beginning and end of the financial year	<u>2,767</u>	<u>2,767</u>

As at the balance sheet date, the carrying value of the available-for-sale financial assets approximate its fair value.

Notes to the Financial Statements

For the financial year ended 31 March 2016

16. Prepayments, trade and other receivables

	Group		Company	
	2016 \$	2015 \$ (Reclassified, Note F)	2016 \$	2015 \$
Current				
Trade receivables				
- third parties	2,387,576	2,897,897	–	1,339
- subsidiaries	–	–	299,529	299,529
Accrued revenue	4,770,364	–	–	–
Retention sum (Note 17)	918,025	–	–	–
Due from customers on contract work (Note 17)	542,925	3,333,528	–	–
	8,618,890	6,231,425	299,529	300,868
Less: Impairment loss of trade receivables	–	(369,685)	(299,529)	(299,529)
Trade receivables, net	8,618,890	5,861,740	–	1,339
Other receivables				
- Commitment fees (Note A)	7,200,000	16,200,000	–	–
- Other receivables (Note B)	1,010,946	1,518,644	221,710	231,494
- Due from subsidiaries (non-trade) (Note C)	–	–	30,602,244	37,468,334
	8,210,946	17,718,644	30,823,954	37,699,828
Less: Impairment loss of other receivables	(7,200,000)	(7,200,000)	(8,421,470)	(8,039,999)
Other receivables, net	1,010,946	10,518,644	22,402,484	29,659,829
Prepayments	259,580	116,094	18,434	23,836
Advances to suppliers	126,241	364,454	–	–
Deposits (Note D)	611,355	3,966,339	416,703	55,355
Trade and other receivables, net	10,627,012	20,827,271	22,837,621	29,740,359
Non-current				
Prepayments (Note E)	15,254	1,526,466	–	–

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Note A - Commitment fees

In previous financial year, 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 financial year end, the Group has recovered \$2,000,000 of the commitment fee with remaining balance of \$200,000 due by the counterparty. Accordingly, the Group made an allowance for impairment loss on the \$200,000 of the commitment fee as at 31 March 2015 and 2016.
- 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 financial year end, 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 2016. 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 was made as at 31 March 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").

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 is for the sum of \$7.0 million. 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 2016.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Note B - Other receivables

Included in the total other receivables of the Group as at 31 March 2016 is an amount of \$Nil (2015: \$1,178,958) being loans due from its former subsidiaries Teeni Enterprise Pte Ltd and Teeni Universal Pte Ltd (collectively "Teeni Group"). These amounts were unsecured, interest-free and repayable on demand. The Group has written off loans due from the Teeni Group totalling \$876,013 during the financial year ended 31 March 2016. These loans have been waived in the previous financial year by the then Managing Director of the Company. However, the waivers were not recorded in the previous year's financial statements as the waiver letters signed by the then Managing Director only came to the attention of the management during the current financial year. The Board of Directors have 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. The remaining non-trade receivable balance of \$282,945 has been settled by way of offsetting with amount payable to Teeni Group (Note 20).

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 deposit of \$227,852 (2015: Nil) 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, for total consideration of \$2,278,510. The remaining sum of \$2,050,658 has been fully paid subsequent to the balance sheet date and as disclosed in Note 33, the acquisition of office units has been completed.
- D.2 Included in the deposits of the Group in previous year was a refundable rental deposit of \$2,327,592, which was due from the landlord of a subsidiary's office premises at the expiration of the lease term and upon fulfilment of certain lease obligations and conditions. The amount has been recovered during the financial year.
- D.3 Included in the deposits in previous year was \$1,327,120 placed with a third party vendor to secure the purchase of a property in Melbourne, Australia for AUD12,520,000, equivalent to approximately \$13,271,200 during the financial year ended 31 March 2015. The remaining sum of AUD11,268,000, equivalent to approximately \$11,944,080 have been paid during the current financial year, and the acquisition of the property has been completed on 27 November 2015. Accordingly, the deposit has been reclassified to development property (Note 13) during the financial year ended 31 March 2016.

Note E - Prepayments (non-current)

Included in the prepayments of the Group as at 31 March 2015 was mainly an amount of \$1,504,847 paid for the purchase of certain plant and equipment in Vietnam. Of these prepayments, \$909,840 have been refunded during the financial year as the purchase did not materialise, and balance of \$595,007 has been reclassified to property, plant and equipment during the financial year ended 31 March 2016.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

Note F

Certain comparative figures of the trade and other receivables have been reclassified to conform with the current year's presentation. The effects of the reclassifications are as follows:

	Group	
	As previously reported	As reclassified
	2015	2015
	\$	\$
Current		
Trade receivables	2,897,897	6,231,425
Due from customers in contract work	3,333,528	–
Deposits	2,639,219	3,966,339
Non-current		
Deposits	1,327,120	–

Balance sheet at the beginning of the earliest comparative period as at 1 April 2014 have not been presented as those have not impacted by the reclassification. The reclassification has no impact on the consolidated statement of comprehensive income for the current and previous financial years.

The movements in the allowances for impairment are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade receivables				
At beginning of the financial year	369,685	227,463	299,529	299,529
Allowance written off against trade receivables	(369,685)	–	–	–
Allowance for impairment loss	–	181,434	–	–
Reversal of impairment loss	–	(39,212)	–	–
At end of the financial year	–	369,685	299,529	299,529
Other receivables				
At beginning of the financial year	7,200,000	–	8,039,999	8,039,999
Allowance for impairment loss	–	7,200,000	381,471	–
At the end of the financial year	7,200,000	7,200,000	8,421,470	8,039,999

Notes to the Financial Statements

For the financial year ended 31 March 2016

17. Amounts due from/(to) customers on contract work

	Group	
	2016 \$	2015 \$
Contract work-in-progress		
Aggregate costs incurred and recognised profits (less recognised losses) to-date on uncompleted contract work	1,050,158	13,378,552
Less: Progress billings	(507,233)	(10,295,744)
	542,925	3,082,808
Presented as:		
Due from customers on contract work (Note 16)	542,925	3,333,528
Due to customers on contract work (Note 20)	–	(250,720)
	542,925	3,082,808
Retention sums on contract work (Note 16)	918,025	–

18. Inventories

	Group	
	2016 \$	2015 \$
Finished goods	498,952	1,345,885
Work-in-progress	1,975,595	1,561,839
Raw materials	3,127,914	5,403,626
Goods in transit	366,418	291,057
	5,968,879	8,602,407

The cost of inventories recognised as expense and included in “cost of sales” amounted to \$19,955,418 (2015: \$18,483,587).

Inventories recognised as an expense in “cost of sales” represents write-down of inventories amounted to \$1,197,249 (2015: Nil).

Notes to the Financial Statements

For the financial year ended 31 March 2016

19. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash and bank balances	7,374,598	21,246,852	1,468,371	12,574,941
Fixed deposits	28,571,116	10,000,000	27,024,616	10,000,000
Cash and cash equivalents	35,945,714	31,246,852	28,492,987	22,574,941

Fixed deposit of the Group and Company bears interest rate at 1.30% and 2.90% (2015: 1.22% and 1.22%) respectively per annum and have a maturity period of 10 months and 10 months (2015: 5 months and 5 months) respectively from the balance sheet date.

Included in cash and cash equivalents are bank deposits amounting to \$501,680 (2015: \$203,303) which are not freely remissible to overseas because of currency exchange restrictions.

20. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Current				
<u>Trade payables</u>				
- third parties	1,131,392	1,599,882	—	—
- due to customers on contract work (Note 17)	—	250,720	—	—
	1,131,392	1,850,602	—	—
<u>Other payables</u>				
- third parties	2,083,362	1,019,167	137,028	152,012
- directors	—	264,379	—	140,733
Rental deposits received	138,620	78,082	—	—
Deferred income	—	137,880	—	—
Accrued operating expenses	4,469,494	1,110,241	517,405	358,293
	6,691,476	2,609,749	654,433	651,038
Trade and other payables	7,822,868	4,460,351	654,433	651,038

The amounts due to directors in previous financial year were unsecured, interest-free and repayable on demand.

Deferred income in previous financial year comprised of rental income received in advance and was non-refundable.

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For the financial year ended 31 March 2016

21. Shares with preference rights

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Non-current	–	5,565,000	–	5,565,000
Current	5,160,000	–	5,160,000	–
	5,160,000	5,565,000	5,160,000	5,565,000

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 \$5,160,000 (2015: \$5,565,000) was received during the financial year ended 31 December 2011. The remaining MYR2.0 million, equivalent to \$688,000 (2015: \$750,000), 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 (2015: \$5,440,710) is classified as part of investments in subsidiaries and is carried at cost (Note 14).

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.

Subsequent to 31 December 2016 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

21. Shares with preference rights (cont'd)

During the previous financial year, KPFB has agreed to the extension of the Put Option expiry date to 31 December 2016 and also agreed on the revision of certain clauses as follows:

Extension of date for certain trigger events provided in the Put Option agreement:

- (i) Extension of profit guarantee period to financial years ended 31 December 2014 and 31 December 2015;
- (ii) Extension of proposed listing of KLWR to 31 December 2016; and

Revision to clauses in the consideration clause in the Put Option agreement:

- (iii) Yearly dividend on Class A ordinary shares of 8% to be paid up to the completion of listing exercise.

As at the balance sheet date, KPFB has yet to exercise the Put Option, and in the opinion of the directors, the Group is confident that KPFB will accede to its request for further extension of time for the proposed listing.

22. Borrowings

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Current				
Obligation under finance leases	20,208	81,187	—	10,428
Bankers' acceptance	—	23,250	—	—
Foreign currency loan against import	723,600	1,487,773	—	—
Term loan I	114,301	118,602	—	—
Term loan II	128,875	—	—	—
	986,984	1,710,812	—	10,428
Non-current				
Obligation under finance leases	53,476	100,116	—	—
Term loan I	3,321,305	3,435,464	—	—
Term loan II	14,470,085	15,009,600	—	—
	17,844,866	18,545,180	—	—
Total borrowings				
Obligation under finance leases	73,684	181,303	—	10,428
Bankers' acceptance	—	23,250	—	—
Foreign currency loan against import	723,600	1,487,773	—	—
Term loan I	3,435,606	3,554,066	—	—
Term loan II	14,598,960	15,009,600	—	—
	18,831,850	20,255,992	—	10,428

Notes to the Financial Statements

For the financial year ended 31 March 2016

22. Borrowings (cont'd)

Obligation under finance leases

The finance leases obligations are secured by a charge over the leased motor vehicles of the Group and the Company (Note 11). The weighted average effective interest rate of finance leases of the Group and Company ranges from 4.33% to 5.93% and Nil (2015: 4.33% to 5.93% and at 4.31%) respectively per annum.

	Group			
	2016		2015	
	Minimum lease payments \$	Present value \$	Minimum lease payments \$	Present value \$
Not later than one financial year	23,052	20,208	88,558	81,187
Later than one financial year but not later than five financial years	59,012	53,476	112,795	100,116
Total minimum lease payments	82,064		201,353	
Less: Future finance charges	(8,380)	—	(20,050)	—
Present value of finance lease liabilities	73,684	73,684	181,303	181,303

	Company	
	2015	
	Minimum lease payments \$	Present value \$
Not later than one financial year	11,742	10,428
Total minimum lease payments	11,742	—
Less: Future finance charges	(1,314)	—
Present value of finance lease liabilities	10,428	10,428

Bankers' acceptance/Foreign currency loan against import

- (i) The banker's acceptance and foreign currency loan against import of the Group are secured by ways of the following:
- (a) corporate guarantee from the Company;
 - (b) joint and several guarantee by a director of the Company and certain directors of its subsidiaries;
 - (c) negative pledge over certain assets of the Group; and
 - (d) legal charges over certain properties of the Group (Note 11).

Notes to the Financial Statements

For the financial year ended 31 March 2016

22. Borrowings (cont'd)

Bankers' acceptance/Foreign currency loan against import (cont'd)

- (ii) Bankers' acceptance and foreign currency loan against import are drawn for a period of up to 120 days (2015: 120 days) which are renewable on maturity. Interest is charged at rates ranges from 2.58% to 3.06% (2015: 2.24% to 4.75%) 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) a personal guarantee by a former director of the Company.
- (ii) Term loan I is repayable by a monthly instalments commencing from October 2014 over 25 years with last instalment amounting to \$2.1 million and bears an effective interest rate of 1.75% (2015: 1.36%) per annum at the balance sheet date.

Term loan II – Floating rate

- (i) Term loan II is secured by a legal mortgage over Group's investment property in Australia (Note 12); and
- (ii) Term loan II is repayable by a monthly instalments commencing from 20 October 2016 over 4 years and bears interest at 4.57% (2015: 4.57%) per annum at the balance sheet date.

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 in Level 3 of the fair value hierarchy.

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	
	2016 \$	2015 \$
At beginning of the financial year	1,095,489	1,167,689
Recognised in profit or loss	68,038	(40,006)
Currency translation differences	(90,972)	(32,194)
At end of the financial year	1,072,555	1,095,489

Notes to the Financial Statements

For the financial year ended 31 March 2016

23. Deferred tax liabilities (cont'd)

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	Total
Group			
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
2015			
At beginning of the financial year	106,666	1,296,444	1,403,110
Recognised in the profit or loss	(7,094)	(18,035)	(25,129)
Currency translation differences	(28,212)	(11,094)	(39,306)
At end of the financial year	71,360	1,267,315	1,338,675

	Deferred tax assets		
	Unutilised tax losses and capital allowances	Allowance for inventories	Others
Group			
2016			
At beginning of the financial year	–	(119,848)	(123,338)
Recognised in the profit or loss	(8,473)	5,460	37,171
Currency translation differences	8,473	4,446	6,978
At end of the financial year	–	(109,942)	(79,189)
2015			
At beginning of the financial year	(17,717)	(135,216)	(82,488)
Recognised in the profit or loss	24,358	5,165	(44,400)
Currency translation differences	(6,641)	10,203	3,550
At end of the financial year	–	(119,848)	(123,338)

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 \$19.0 million (2015: \$13.6 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

24. Share capital

	Group and Company			
	2016		2015	
	No. of shares	\$	No. of shares	\$
Issued and fully paid ordinary shares				
At beginning of the financial year	5,380,556,316	103,170,633	2,440,278,158	48,013,638
Placement of ordinary shares	—	—	500,000,000	10,000,000
Rights shares cum warrants issued	—	—	2,440,278,158	45,518,810
Share issue expenses	—	—	—	(361,815)
At end of the financial year	5,380,556,316	103,170,633	5,380,556,316	103,170,633

On 9 June 2014, the Company issued 500,000,000 placement shares at an issue price of \$0.02 for each placement share.

A right issue of 2,440,278,158 new shares at an issue price of \$0.02 for each rights share was made by the Company in 3 July 2014 to entitled shareholders on the basis of one rights share with one free detachable warrant for every one existing ordinary shares held. Each warrant carrying the rights to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.07 for each new share. The rights issue has been fully subscribed. Accordingly the total proceeds of \$48,805,562, net of \$361,815 of transaction costs, are allocated to ordinary shares and warrants using the fair values of the two instruments on a pro-rata basis. As a result, \$45,518,810 was recorded within share capital and another \$3,286,752 was recorded under "warrant reserve" (Note 25) respectively.

The newly issued shares rank pari passu in all respects with previously issued shares.

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 2016

25. Revaluation and other reserves

	Asset revaluation reserve \$	Foreign currency translation reserve \$	Warrant reserve \$	Total \$
Group				
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
2015				
At beginning of the financial year	3,973,109	(1,478,148)	–	2,494,961
Net exchange differences on translation of financial statements of foreign subsidiaries	–	(167,472)	–	(167,472)
Fair value of the warrants	–	–	3,286,752	3,286,752
At end of the financial year	3,973,109	(1,645,620)	3,286,752	5,614,241
Company				
2016				
At beginning and end of the financial year	–	–	3,286,752	3,286,752
2015				
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. The warrants will expire on 30 June 2017. As at 31 March 2016, the Company has outstanding warrants of 2,440,278,158.

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 2016

26. Contingencies

(a) Contingent liabilities

(i) Corporate guarantee

	Company	
	2016 \$	2015 \$
Guarantee issued for bank facilities granted to a subsidiary	2,218,800	1,511,023
Amounts utilised by a subsidiary	723,600	1,511,023

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 2016 and 31 March 2015.

(ii) Financial support

The Company, as the holding company, has given undertakings to provide financial support to certain subsidiaries to enable them to continue their operations in the next 12 months. However, no adjustment to the financial statements of the Company was required to recognise the financial guarantee liability due to the possibility of an outflow of resource is remote. The maximum amount of financial guarantee is disclosed in Note 30(b)(iii).

(iii) 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 \$688,000 (2015: \$750,000), 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 2016, 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 \$688,000 (2015: \$750,000), 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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	
	2016 \$	2015 \$
Not later than one year	705,606	2,284,925
Later than one year but not later than five years	620,470	1,160,362
	1,326,076	3,445,287

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

(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 reporting date but not recognised as receivables are as follows:

	Group	
	2016 \$	2015 \$
Not later than one year	1,368,939	1,341,387
Later than one year but not later than five years	5,375,323	6,796,331
Later than five years	141,136	189,243
	6,885,398	8,326,961

Generally, the Group non-cancellable leases are for lease term of 6 to 20 years (2015: 6 to 20 years).

(c) Capital commitments

Amounts contracted for as at the balance sheet date but not recognised in the financial statement are as follows:

	Group	
	2016 \$	2015 \$
Capital expenditure in respect of Commitment in respect of development property	–	11,944,080
Capital expenditure in respect of property, plant and equipment	2,274,253	2,728,707
	2,274,253	14,672,787

Notes to the Financial Statements

For the financial year ended 31 March 2016

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	
	2016 \$	2015 \$
<i>Key management personnel compensation</i>		
Directors of the Company		
- Salaries and related costs	224,000	384,000
- Employer's contribution to defined contribution plans	5,950	9,750
- Directors' fees	345,000	195,000
Directors of subsidiaries		
- Salaries and related costs	262,541	436,540
- Employer's contribution to defined contribution plans	24,345	32,892
- Directors' fees	26,876	29,676
Other key management personnel		
- Salaries and related costs	799,933	661,007
- Employer's contribution to defined contribution plans	45,090	56,180
	1,733,735	1,805,045

Total key management personnel compensation:

	Group	
	2016 \$	2015 \$
- Salaries and related costs	1,658,350	1,706,223
- Employer's contribution to defined contribution plans	75,385	98,822
	1,733,735	1,805,045

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.

Outstanding balances as at 31 March 2015 arising from advances from directors are disclosed in Note 20.

Notes to the Financial Statements

For the financial year ended 31 March 2016

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, 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 2016

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 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 2016

29. Segment information (cont'd)

Business segments (cont'd)

	Investment \$	Door Business \$	Property Business \$	Total \$
For the financial year ended 31 March 2015				
Segment revenue				
Sales - external	–	39,039,501	2,215,916	41,255,417
Segment (loss)/profit	(1,588,229)	3,832,273	(8,465,448)	(6,221,404)
Other income				1,030,690
Finance cost				(859,948)
Loss before income tax				(6,050,662)
Income tax expense				(265,605)
Loss for the financial year				(6,316,267)
Assets				
Segment and consolidated total assets	21,521,638	38,232,336	48,584,364	108,338,338
Liabilities				
Segment liabilities	651,036	3,088,798	720,517	4,460,351
Borrowings				20,255,992
Current income tax liabilities				622,894
Deferred tax liabilities				1,095,489
Shares with preference rights				5,565,000
Consolidated total liabilities				31,999,726
Other segment items				
Capital expenditure	–	7,814,043	27,818,739	35,632,782
Depreciation of property, plant and equipment	89,494	610,187	94,570	794,251
Impairment loss of trade and other receivables	–	181,434	7,200,000	7,381,434
Write back of long outstanding other payable	(47,641)	–	–	(47,641)

Notes to the Financial Statements

For the financial year ended 31 March 2016

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 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	
	2016 \$	2015 \$	2016 \$	2015 \$
Singapore	13,024,510	5,323,931	4,437,543	5,136,556
Malaysia	—	—	7,860,135	8,694,933
China	30,166	44,272	838,276	1,098,342
Australia	1,370,542	550,002	26,486,179	26,599,593
Vietnam	—	—	6,998,426	6,129,617
United Kingdom	37,225,749	33,564,955	—	—
Republic of Ireland	2,596,300	1,685,348	—	—
Others	—	86,909	—	—
	54,247,267	41,255,417	46,620,559	47,659,041

Non-current assets presented above excludes financial assets.

Information about major customer

Revenue of approximately \$25,800,265 (2015: \$27,812,794) are derived from 2 (2015: 3) external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

Customer	Attributable segments	2016 \$	2015 \$
Customer 1	Door Business	13,257,454	14,119,096
Customer 2	Door Business	12,542,811	7,795,112
Customer 3	Door Business	—	5,898,586
		25,800,265	27,812,794

Notes to the Financial Statements

For the financial year ended 31 March 2016

30. Financial instruments

(a) Financial instruments by category

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Available-for-sale financial assets	2,767	2,767	–	–
Loans and receivables (including cash and cash equivalents)	45,959,053	50,266,455	51,084,322	52,291,464
	45,961,820	50,269,222	51,084,322	52,291,464
Financial liabilities at amortised cost	31,770,334	29,824,253	5,780,741	6,170,359

(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 2016

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

	USD \$	MYR \$	SGD \$	AUD \$
Group				
2016				
Financial assets				
Trade and other receivables	306,142	—	2,170	—
Cash and cash equivalents	2,434,592	—	25,565	341,158
Amount owing by related companies	—	—	7,901,599	—
Amount owing by subsidiaries	—	—	—	17,893,941
	2,740,734	—	7,929,334	18,235,099
Financial liabilities				
Trade and other payables	309,506	—	1,460	—
Shares with preference rights	—	5,160,000	—	—
Borrowings	723,600	—	—	—
Amount owing to holding company	—	—	4,287,068	—
Amount owing to related companies	12,855,720	—	2,275,550	—
	13,888,826	5,160,000	6,564,078	—
Net financial assets/ (liabilities) denominated in foreign currency exposure	(11,148,092)	(5,160,000)	1,365,256	18,235,099
2015				
Financial assets				
Trade and other receivables	748,200	—	2,194	—
Cash and cash equivalents	376,871	—	9,987	119,081
Amount owing by related companies	—	—	702,992	—
Amount owing by subsidiaries	—	—	—	6,720,853
	1,125,071	—	715,173	6,839,934
Financial liabilities				
Trade and other payables	54,213	—	47,278	—
Shares with preference rights	—	5,565,000	—	—
Amount owing to holding company	—	—	6,389,477	—
Amount owing to related companies	—	—	1,654,167	—
	54,213	5,565,000	8,090,922	—
Net financial assets/ (liabilities) denominated in foreign currency exposure	1,070,858	(5,565,000)	(7,375,749)	6,839,934

Notes to the Financial Statements

For the financial year ended 31 March 2016

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

	MYR \$	AUD \$
Company		
2016		
Financial assets		
Trade and other receivables	4,286,981	–
Amount owing by subsidiaries	–	17,893,941
Cash and bank balances	–	341,158
	4,286,981	18,235,099
Less: Financial liabilities		
Shares with preference rights (Note 21)	5,160,000	–
Net financial (liabilities)/assets denominated in foreign currency exposure	(873,019)	18,235,099
2015		
Financial assets		
Trade and other receivables	6,163,840	–
Amount owing by subsidiaries	–	6,720,853
Cash and bank balances	–	119,081
	6,163,840	6,839,934
Less: Financial liabilities		
Shares with preference rights (Note 21)	5,565,000	–
Net financial assets denominated in foreign currency exposure	598,840	6,839,934

Notes to the Financial Statements

For the financial year ended 31 March 2016

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(i) Foreign exchange risk (cont'd)

Foreign exchange risk sensitivity

A 10% (2015: 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)	
	Profit after tax 2016 \$	Loss after tax 2015 \$
Group		
USD/SGD	(925,292)	(88,881)
MYR/SGD	(428,280)	461,895
SGD/MYR	113,316	612,187
AUD/SGD	1,513,513	(567,715)

	Increase/(decrease) in loss after tax	
	2016 \$	2015 \$
Company		
MYR/SGD	72,461	(49,704)
AUD/SGD	(1,513,513)	(567,715)

A 10% (2015: 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 2016

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 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 2016, 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 are held constant throughout the reporting periods in the case of the instruments that have floating rates. A 100 (2015: 100) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in the interest rates.

Interest rate sensitivity

If the interest rates had been 100 (2015: 100) basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 March 2016 would increase/decrease \$156,305 (2015: \$168,125). This was mainly attributable to the Group's exposure to interest rates on its variable rates borrowings (Note 22). The interest rate sensitivity analysis for the shares with preference rights is not presented as the impact of 100 basis points fluctuation on the interest rate is not significant to the Group's profit.

(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 19) on the basis of expected cash flows.

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

Notes to the Financial Statements

For the financial year ended 31 March 2016

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 \$	Total \$
Group			
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 (Floating rates)	776,906	15,730,810	16,507,716
Finance lease obligation (fixed rates)	23,052	59,012	82,064
	15,745,544	21,131,368	36,876,912
	On demand or within 1 year \$	Within 2 to 5 years \$	Total \$
Group			
2015			
Trade and other payables	4,071,751	—	4,071,751
Shares with preference rights*	499,816	6,702,316	7,202,132
Interest bearing borrowings			
- Banker's acceptance (Floating rates)	23,250	—	23,250
- Foreign currency loan (Floating rates)	1,487,773	—	1,487,773
- Term loan I (Floating rates)	259,401	5,376,463	5,635,864
- Term loan II (Floating rates)	—	18,793,563	18,793,563
Finance lease obligation (fixed rates)	88,558	112,795	201,353
	6,430,549	30,985,137	37,415,686

Notes to the Financial Statements

For the financial year ended 31 March 2016

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 \$	Total \$
Company			
2016			
Trade and other payables	654,433	—	654,433
Shares with preference rights**	5,744,800	—	5,744,800
Financial guarantees	2,218,800	—	2,218,800
	8,618,033	—	8,618,033
2015			
Trade and other payables	651,038	—	651,038
Shares with preference rights**	—	6,202,500	6,202,500
Finance lease obligation	11,742	—	11,742
Financial guarantees	1,511,023	—	1,511,023
	2,173,803	6,202,500	8,376,303

* Inclusive of cumulative dividend of RM0.1024, equivalent to \$0.0352 (2015:\$0.0384), 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).

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.

	2016 \$	2015 \$
Company		
<i>On demand or not later than 1 year</i>		
Financial guarantees	2,218,800	1,511,023

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 2016 and 31 March 2015.

The Company has also given undertakings to continue providing financial support to certain subsidiaries as and when required to allow them to meet their obligations.

Notes to the Financial Statements

For the financial year ended 31 March 2016

30. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

(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:

- \$1,469,488 (2015: \$2,352,090) of the Group's trade receivables were due from 2 (2015: 3) major customers in Door business segment, mainly building material suppliers in United Kingdom. Approximately, \$13,257,454 and \$12,542,811 (2015: \$14,119,096, \$7,795,112 and \$5,898,586) representing 24% and 23% (2015: 34%, 19% and 14%) respectively of the Group's revenue are generated from these customers during the financial year.
- \$542,925 (2015: \$2,564,881) of the Group's gross amount due from customers for contract works were due from 3 (2015: 3) major customers in Door business segment, mainly are the turnkey contractors of the residential projects in Singapore.
- the Group's other receivables amounting \$282,945 (2015: \$1,178,958) were loans due from its former subsidiaries as at the balance sheet date (Note 16).

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 30 days to 90 days (2015: 30 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 2016

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	
	2016 \$	2015 \$	2016 \$	2015 \$
Past due but not impaired				
- Past due 0 to 3 months	150,495	91,132	—	—
- Past due between 3 to 6 months	193,745	16,550	—	1,339
- Past due over 6 months	75,902	214,301	—	—
	420,142	321,983	—	1,339

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	
	2016 \$	2015 \$	2016 \$	2015 \$
Gross amounts	—	369,685	299,529	299,529
Less: Allowance for impairment losses	—	(369,685)	(299,529)	(299,529)
	—	—	—	—

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 \$420,142 (2015: \$321,983), 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 \$8,421,470 (2015: \$8,039,999) 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 2016

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 have been no transfer between Level 1 and Level 2 during the financial year ended 31 March 2016 and 31 March 2015:

	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Total \$
Group				
2016				
Non-financial assets - recurring				
Leasehold land and buildings	–	–	11,702,213	11,702,213
Investment property	–	–	26,470,925	26,470,925
Available-for-sale financial assets	2,767	–	–	2,767
2015				
Non-financial assets - recurring				
Leasehold land and buildings	–	–	15,273,703	15,273,703
Investment property	–	–	26,577,974	26,577,974
Available-for-sale financial assets	2,767	–	–	2,767

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

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

The following table presents the information about fair value measurement using significant unobservable inputs:

	Fair value	Valuation techniques	Significant unobservable inputs	Range
2016				
Leasehold land and buildings				
- Factory 1	3,887,200	Market comparison approach	Transacted prices for similar properties*	MYR13.70 to MYR28.50 p.s.f**
- Factory 2	4,024,800	Market comparison approach	Transacted prices for similar properties*	MYR13.70 to MYR28.50 p.s.f**
- Industrial building	4,050,000	Market comparison approach	Transacted prices for similar properties*	SGD939 to SGD1,096 p.s.f**
Investment property	26,470,925	Income capitalisation method	Annual rental and capitalisation rate	AUD1,278,367 p.a at a yield of 5%
2015				
Leasehold land and buildings				
- Factory 1	4,237,500	Market comparison approach	Transacted prices for similar properties*	MYR8.60 to MYR14.50 p.s.f**
- Factory 2	4,237,500	Market comparison approach	Transacted prices for similar properties*	MYR8.60 to MYR14.50 p.s.f**
- Industrial building	4,515,000	Market comparison approach	Transacted prices for similar properties*	SGD950 to SGD1,187 p.s.f**
Investment property	26,577,974	Income capitalisation method	Annual rental and capitalisation rate	AUD1,235,137 p.a at a yield of 5.25%

* Adjustment are made for any difference in nature, location or conditions of the specific property.

** Per square feet

Notes to the Financial Statements

For the financial year ended 31 March 2016

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

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

Higher transacted price per square feet or higher annual rental will result in a higher fair value measurement. A higher capitalisation rate will result in a lower fair value measurement.

The fair values of leasehold land and buildings included in property, plant and equipment are determined by external property valuers every five years or at shorter intervals, if appropriate and whenever their carrying values are likely to differ materially from their revalued amounts. For valuation performed by external property valuers, management considers appropriateness of the valuation technique and assumptions applied. The measurement of fair values of other assets and liabilities within Level 3 fair value hierarchy is performed by the Group's finance team on a half yearly 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 to determine the fair value level hierarchy which the fair value 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.

(c) 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.

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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

32. Capital management (cont'd)

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Total borrowings and payables	31,814,718	30,030,623	5,814,433	6,226,466
Cash and cash equivalents	(35,945,714)	(31,246,852)	(28,492,987)	(22,574,941)
Net (surplus) / debt	(4,130,996)	(1,216,229)	(22,678,554)	(16,348,475)
Total equity	78,987,634	76,338,612	74,376,598	85,530,894
Total capital	74,856,638	75,122,383	51,698,044	69,182,419
Gearing ratio	N.M	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 committee considers the cost of capital and the risk associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the committee, 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. Events after the balance sheet date

On 6 May 2016, Company has paid the balance consideration of \$2,050,658 plus expenses of \$166,071 for the acquisition of the two office units at 2 Kallang Ave, CT Hub, Singapore.

34. 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 of Singapore. The claim was 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 ("Project Happy 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 the 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 2016

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

On 26 November 2015, the Company announced that it has withdrawn the action filed against Mr Chan for the repayment of \$7.0 million and that the Company filed a writ of summons and statement of claim against Straitsworld and Mr Chan in the High Court of Singapore. 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 judgment and granted the Company unconditional leave to defend Mr Chan's claim for an alleged loan of \$0.75 million.

On 3 May 2016, the Company had filed an application for summary judgment against Straitsworld and Mr Chan for the sum of \$7.0 million, interests and costs. As of the date of these financial statements, these cases are still ongoing.

The amount of \$7.0 million has been fully provided for in the financial statements of the Group and the Company during the previous financial year. 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 are of the view that there are no liabilities required to be recognised in the financial statements.

35. Investigation by the Commercial Affairs Department

On 19 November 2015, 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 consultant (former managing director) and Head of Operation and Human Resource (former 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.

Notes to the Financial Statements

For the financial year ended 31 March 2016

36. Comparative figures

The financial statements of the Group for the financial year ended 31 March 2015 were audited by another independent auditor whose report dated 8 July 2015 contained a disclaimer opinion on those financial statements as disclosed in Note 37.

37. Basis for disclaimer of audit opinion on the financial statements for the financial year ended 31 March 2015

The independent auditor's report dated 8 July 2015 contained a disclaimer of audit opinion on the financial statements for the financial year ended 31 March 2015. The extract of the basis for disclaimer of opinion is as follows:

Basis for Disclaimer of Opinion

- (a) As disclosed in Note 7 to the financial statements, included in the Group's trade and other receivables as at 31 March 2015 was a net receivable of commitment fees amounting to \$9.0 million, after an allowance for impairment loss of \$7.2 million was made against the gross receivable of \$16.2 million. The balance of \$9.0 million was subsequently recovered by the Group as of the date of this report (see below).

As a background, during the current financial year, the Group paid a total of \$16.2 million of commitment fees pursuant to three term sheets ("Term Sheets") entered into with the respective counterparties for the contemplated collaboration between the Group and these respective counterparties in certain property development and hotel acquisition projects in Bali (Indonesia) and Zhangye Gansu (China), as more fully described in Note 7 to the financial statements. The Group had not entered into any definitive agreement with the respective counterparties by the stipulated deadline of July 2014. As a result, the commitment fees of \$16.2 million had since become refundable in full by the counterparties but remained unpaid and became overdue as at 31 March 2015 (the balance sheet date).

Subsequent to the balance sheet date and on 27 May 2015, the Company announced that, amongst others, the Term Sheets and the commitment fees paid thereunder were without proper authorisation of the Board of Directors, and had since taken the necessary actions to recover the commitment fees paid. On 26 May 2015, 27 May 2015 and 1 July 2015 respectively, the Group had managed to recover a total of \$9.0 million. The remaining outstanding balance of \$7.2 million was fully provided for by the Group merely on the grounds of prudence and conservatism, as publicly announced by the Company on 26 June 2015.

In the light of the above, we have not been able to obtain sufficient appropriate audit evidence and satisfactory explanations from management and the directors relating to the (i) propriety of the Term Sheets and the commitment fees paid thereunder; (ii) relationship between the Group and the counterparties as well as the credentials and financial credibility of these counterparties; (iii) commercial rationale in making substantial commitment fees to these counterparties on the execution of the Term Sheets or prior to the execution of any definitive agreement; (iv) appropriate approval processes for sanctioning major contracts and payments, in particular, the Term Sheets and commitment fees paid; and (v) appropriateness of the allowance for impairment of \$7.2 million on the basis as stated above.

Notes to the Financial Statements

For the financial year ended 31 March 2016

37. Basis for disclaimer of audit opinion on the financial statements for the financial year ended 31 March 2015 (cont'd)

Basis for Disclaimer of Opinion

- (b) As announced by the holding company on 27 May 2015, the Audit Committee is concerned with the internal control lapses and corporate governance failure which have been uncovered, and will undertake a review into the matter. Subsequently on 26 June 2015, the Audit Committee has appointed PricewaterhouseCoopers LLP ("PWC") as the Special Auditors to conduct an independent review relating to the above matter, including reviewing the processes and procedures concerning the Company's approval of major contracts and substantial payments.

As at the date of this report, PWC's independent review is still ongoing. Accordingly, we are unable to ascertain the pervasiveness of the potential internal control lapses and corporate governance failures and/or to determine whether any further exceptions that may be reported by PWC and any adjustments arising thereon which may have an impact on the accompanying financial statements.

- (c) In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements of the Group and the balance sheet of the Company, nor are we able to quantify the extent of adjustments that might be necessary in respect of the financial statements of the Group and balance sheet of the Company for the financial year ended 31 March 2015. We are also unable to determine the related effects of those matters described above, including any effects on representations, which could only be reported and disclosed in the financial statements of the Group and the balance sheet of the Company for subsequent financial years when they become determinable and can be reasonably estimated.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

38. 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 2016 were authorised for issue in accordance with a resolution of the directors dated 12 July 2016.

Size of Shareholdings

As at 17 June 2016

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	60	1.85	854	0.00
100 – 999	120	3.71	103,319	0.00
1,000 – 10,000	474	14.63	2,930,807	0.06
10,001 – 1,000,000	2,171	67.03	510,221,404	9.48
1,000,001 and above	414	12.78	4,867,299,932	90.46
	3,239	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 17 June 2016, approximately 71.3% 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 17 JUNE 2016

S/No.	Name	Shares	Percentage
1	QUEK CHEK LAN	1,044,185,000	19.41
2	UOB KAY HIAN PTE LTD	878,975,000	16.34
3	PHILLIP SECURITIES PTE LTD	150,144,027	2.79
4	CITIBANK NOMINEES SINGAPORE PTE LTD	122,935,000	2.28
5	BANK OF SINGAPORE NOMINEES PTE LTD	95,421,000	1.77
6	KOH KOW TEE MICHAEL	77,289,000	1.44
7	MAYBANK KIM ENG SECURITIES PTE LTD	70,221,900	1.31
8	TAN MENG CHIANG	62,205,000	1.16
9	DBS NOMINEES PTE LTD	59,020,300	1.10
10	OCBC SECURITIES PRIVATE LTD	53,290,900	0.99
11	TAN POH GEOK	48,000,000	0.89
12	CIMB SECURITIES (SINGAPORE) PTE LTD	44,751,002	0.83
13	RAFFLES NOMINEES (PTE) LTD	44,002,300	0.82
14	LAU SONG CHIN	39,948,000	0.74
15	CHEN MIN I OR CHEN CHIH-YUAN	35,000,000	0.65
16	TAN SOO CHONG	33,000,000	0.61
17	NG THIAN HOO	31,000,000	0.58
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	30,375,900	0.56
19	GAW KUAN CHING (WU GUANJING)	30,002,398	0.56
20	TAN LEE HUA	29,000,000	0.54
		2,978,766,727	55.37

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares	
	Direct Interest	Deemed Interest
Pengiran Muda Abdul Qawi	Nil	500,000,000 [#]
Quek Chek Lan ⁽¹⁾	1,033,185,000	11,000,000 *

Deemed interest registered under UOB Kay Hian Pte Ltd.

* Deemed interest registered under Maybank Kim Eng Securities Pte Ltd.

(1) On 28 June 2016, the Company had announced the completion of the divestment by Quek Chek Lan of his entire shareholding in the Company to Sunny Wealth Limited, a company incorporated in the British Virgin Islands, of which Wong Ben Koon is the sole shareholder.

Summary of Warrant Holdings By Size

As at 17 June 2016

Size of Warrant Holdings	No. of Warrant Holders	Percentage of Warrant Holders	No. of Warrants	Percentage of Warrant Holdings
1 to 99	29	2.23	179	0.00
100 to 1,000	5	0.38	3,293	0.00
1,001 to 10,000	54	4.15	342,091	0.02
10,001 to 1,000,000	1,006	77.27	236,523,039	9.69
1,000,001 and above	208	15.97	2,203,409,556	90.29
TOTAL	1,302	100	2,440,278,158	100

TOP 20 WARRANT HOLDERS AS AT 17 JUNE 2016

No.	Name of Warrant Holders	No. of Warrants	Percentage
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	NG GUAN CHYE	55,060,000	2.26
5	HO WEI CHYI (HE WEIQI)	53,797,000	2.20
6	MAYBANK KIM ENG SECURITIES PTE LTD	49,000,000	2.01
7	CITIBANK NOMINEES SINGAPORE PTE LTD	47,806,000	1.96
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 LIMITED	24,161,000	0.99
	TOTAL	1,441,733,593	59.08

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **KLW HOLDINGS LIMITED** will be held at 2 Kallang Ave #07-03/04 CT Hub Singapore 339407 on 30 July 2016 at 10am to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements of the Company and the Group for the financial year ended 31 March 2016 together with the Auditor's Report thereon. **[Resolution 1]**
2. To approve the Directors' Fees for the financial year ended 31 March 2016 comprising the following:-
 - (a) the payment of S\$188,000/- to the current Board of Directors [2015: S\$195,000/-] **[See Explanatory Note]** **[Resolution 2a]**
 - (b) the payment of S\$45,000/- to the former Independent Directors **[See Explanatory Note]** **[Resolution 2b]**
 - (c) the payment of an one-off special Directors' Fees of S\$112,000/- to the current Board of Directors **[See Explanatory Note]** **[Resolution 2c]**
3. To approve the payment of Directors' Fees of S\$356,625/- for the financial year ending 31 March 2017, to be paid in arrears quarterly. **[Resolution 3]**
4. To re-elect Pengiran Muda Abdul Qawi, the director who is retiring pursuant to regulation 109 of the Company's Constitution. **[Resolution 4]**

Pengiran Muda Abdul Qawi is a Non-Executive Director and will, upon re-election as Director of the Company, remain as the Chairman of the Board.
5. To re-appoint Messrs Baker Tilly TFW LLP as auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **[Resolution 5]**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to issue shares

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), 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 or other instruments convertible into shares (collectively "**Instruments**") that might 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;

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, 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

provided that:-

- (A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100 per cent (100%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below);
- (B) (subject to such manner of calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (A) above, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for :-
- a. new shares arising from the conversion or exercise of any convertible securities;
 - b. new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the resolution approving this Resolution provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - c. any subsequent bonus issue, consolidation or subdivision of shares;
- (C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution of the Company; and
- (D) and 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]

[Resolution 6]

BY ORDER OF THE BOARD

ABDUL JABBAR BIN KARAM DIN

Company Secretary

Singapore, 15 July 2016

Notice of Annual General Meeting

Notes:

- (1) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (2) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- (3) A proxy need not be a member of the Company.
- (4) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and second named proxy shall be deemed to be an alternate to the first named.
- (5) 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.
- (6) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Kaki Bukit Industrial Terrace Singapore 416119 not later than 48 hours before the time appointed for 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 officer 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.

Explanatory Notes:

Resolution 2(a)

The Directors currently sitting on the Board of the Company, save for Pengiran Muda Abdul Qawi (Chairman of the Board), were appointed on 12 October 2015. Their fees are being pro-rated from 12 October 2015 to 31 March 2016.

Resolution 2(b)

The fee proposed are for the following former Independent Directors, who had served the period from 1 April 2015 to the date of resignation/removal:

Mr Ho Pong Chong (Resigned on 13 October 2015)

Mr Teo Hin Guan (Removed on 12 October 2015)

Mr Low Hai Lee (Removed on 12 October 2015)

Resolution 2(c)

The proposed one-off special Directors' Fee of S\$112,000 are to compensate the Directors for the additional work undertaken for the financial year ended 31 March 2016 by the current Board to deal with the issues arising from the special audit report issued by PricewaterhouseCoopers LLP in 2015, queries by the SGX-ST and Commercial Affairs Department, including being named the authorised bank signatories for the Company and certain of the Company's subsidiaries and also being named as directors for certain of the Company's subsidiaries.

For the avoidance of doubt, Resolutions 2(a), (b) and (c) are independent of each other and shall not be inter-conditional on passing of each other.

Notice of Annual General Meeting

Resolution 6

This resolution, if passed, will empower the Directors from the date of this meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company.

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 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 the member's 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.

PROXY FORM



KLW HOLDINGS LIMITED

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

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF investors who have used their CPF monies to buy shares in KLW HOLDINGS LIMITED, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. 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 15 July 2016.

*I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of the abovenamed Company, hereby appoint : -

Name	Address	NRIC / Passport No.	Proportion of Shareholdings
and/or (delete as appropriate)			

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held on 30 July 2016 at 10am and at any adjournment thereof. The proxy/proxies will vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

RESOLUTIONS	To be used on show of hands or the event of a Poll	
	No. of votes For**	No. of votes Against**
Resolution 1 Directors' Statement and Financial Statement for the year ended 31 March 2016		
Resolution 2(a) Directors' Fees of S\$188,000/- to the current Directors for the year ended 31 March 2016		
Resolution 2(b) Directors' Fees of S\$45,000/- to the former Independent Directors for the year ended 31 March 2016		
Resolution 2(c) One-off Special Directors' Fees of S\$112,000/- to the current Directors for the year ended 31 March 2016		
Resolution 3 Directors' Fees of S\$356,625/- for the year ending 31 March 2017		
Resolution 4 Re-election of Pengiran Muda Abdul Qawi as Director.		
Resolution 5 Re-appointment of Messrs Baker Tilly TFW LLP as Auditor		
Resolution 6 Authority to issue shares		

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.
Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
1. CDP Register	
2. Register of Members	

Signature/Common Seal of Member



Notes :

1. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he 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 the member.
2.
 - (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
3. A proxy need not be a member of the Company.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Kaki Bukit Industrial Terrace Singapore 416119 not less than 48 hours before the time appointed for the meeting.
6. 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 officer 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 (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Cap. 50.
8. 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 (including any related attachment) 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 AGM dated 15 July 2016.

Corporate Information

BOARD OF DIRECTORS

Pengiran Muda Abdul Qawi
Non-Executive Chairman

Mr Lim Jit Siew
Independent Director

Mr Wong Joo Wan
Independent Director

Mr Nicholas Jeyaraj s/o Narayanan
Independent Director

COMPANY SECRETARY

Ms Jennifer Lee Siew Jee, FCIS

Intertrust Singapore Corporate Services Pte Ltd
3 Anson Road #27-01
Springleaf Tower
Singapore 079909
Date of resignation: 1 July 2016

Mr Abdul Jabbar Bin Karam Din

Rajah & Tann Singapore LLP
9 Battery Road #15-01
Straits Trading Building
Singapore 049910
Date of appointment: 1 July 2016

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
3 Anson Road #27-01
Springleaf Tower
Singapore 079909

EXTERNAL AUDITOR

Baker Tilly TFW LLP
(Registered with Public Accountants Oversight Committee of ACRA)

600 North Bridge Road #05-01
Parkview Square
Singapore 188778

Partner-in-charge:
Mr Khor Boon Hong
Year of appointment: 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
Straits Trading Building
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

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