



KLW HOLDINGS LIMITED

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

BUSINESS UPDATE ON THE PROPERTY BUSINESS AND DOOR BUSINESS

The Board of Directors (the “**Board**”) of KLW Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 10 July 2020 and 7 September 2020 in relation to its unaudited results for the financial year ended 31 March (“**FY**”) 2020 and its release of Annual Report respectively (collectively, the “**FY2020 Results Announcement**”), and wishes to provide shareholders of the Company with an update in relation to the two business segments of the Group, namely the Property Business and Door Business:

(i) Property Business

The Group is in the final phase of evaluating the best commercial options available for its property in Melbourne, Australia. The Group is also moving ahead with the necessary applications for various permits and licenses for its proposed property development in Jakarta, Indonesia.

The Board continues to be mindful of the challenges brought about by the ongoing Coronavirus Disease 2019 (“**Covid-19**”) pandemic and the state of emergency and night curfew implemented in the state of Victoria with effect from 2 August 2020 as well as the extension of the transitional period of large-scale social restrictions implemented in Jakarta.

(ii) Door Business

On 11 May 2020, the Company announced the completion of the disposal by its wholly-owned subsidiary KLW Resources Sdn Bhd of the entire paid-up capital contribution in Key Bay Furniture Co., Ltd. (“**Key Bay**”) on 9 May 2020 (the “**Disposal**”), following which the Company ceased to hold any interests in Key Bay. In accordance with the terms of the Disposal, an amount of US\$5.68 million (equivalent to approximately S\$7.72 million¹) was paid by the purchaser to the Group upon the completion of the Disposal. As at 31 March 2020, before the completion of the Disposal, the net assets of Key Bay amounting to approximately S\$6.5 million was classified as “Disposal group assets classified as held-for-sale”. The gain on disposal is expected to be recognised in the current financial year ending 31 March 2021 and the net proceeds from the Disposal are intended to be used for working capital purposes for the Door business.

In relation to the Group’s operations in Malaysia, the Company had in the FY2020 Results Announcement disclosed that the Ministry of Home Affairs in Malaysia had issued a notice relating to a freeze on recruitment on new foreign workers until December 2020 in all business sectors which will materially affect the strength of the Group’s workforce in Malaysia and consequently affect the Group’s door production output and correspondingly its operations in Malaysia.

On 13 August 2020, the Ministry of Human Resources of Malaysia had issued a notice stating that employers may submit an application to the Labour Department to re-employ foreign workers who had been laid off by their previous employer and are still in Malaysia

¹ For the purpose of this announcement, the currency exchange rate used throughout this announcement is US\$1: S\$1.36. Such exchange rate has been presented solely for information only and should not be construed as representations that the relevant amounts have been or could be converted at the rates indicated or at any other rate.

with valid work permits. However, Malaysian workers must be given priority in filling job vacancies and foreign workers must be re-employed in the same sector in which they had worked previously. While the actual quantifiable effects and benefits of the aforesaid notice remain to be seen, this may enable the Group to ramp up its hiring of foreign labour and increase its door production capacity and output, which would position the Group to meet any increased demand post Covid-19, and arising from major customers shifting their supply chain out of China in view of the increasing costs of production and the effects of the continued escalation of trade tensions between the United States and China.

The Company had disclosed in the FY2020 Results Announcement that it will continue to streamline its operational processes, restructure, cease non-performing units and lower cost structure wherever possible with a view to improve productivity and bringing down costs. In FY2020, the Group's factory in China had experienced a combination of weak customer demand and escalating costs for raw materials imported from the United States into China.

The Group is committed to restructuring its manufacturing subsidiary in China, as result of a deterioration in economic conditions. The associated expenses and costs have been accrued and provided for in FY2020 in accordance with SFRS(I) 1 -37, with the exercise targeted to be completed within FY2021.

This exercise is not expected to have any material impact on the net tangible assets or earnings per share of the Company for the financial year ending 31 March 2021 and the Company will update shareholders as and when there are material developments.

By order of the Board
KLW Holdings Limited

Gloria Wong
Executive Director
11 September 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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