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

INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 3O JUNE 2017

The Board of Directors (the "**Board**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Crowe Horwath First Trust LLP, had, without qualifying its audit opinion, included in the Independent Auditor's Report a material uncertainty related to going concern in the audited financial statements of the Group for the financial year ended 30 June 2017.

A copy of the Independent Auditor's Report and an extract of the relevant Note 2 to the financial statements are attached to this announcement for information.

BY ORDER OF THE BOARD

Tan Kheng Yeow
Chief Executive Officer
27 September 2017

Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 10 to 81, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes of equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $29,634,000 during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by $13,093,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><td colspan="2">Impairment of non-current assets – property, plant and equipment and investments in subsidiaries
(Refer to following notes to the financial statements
~ Notes 3, 6, and Note 2 "Critical accounting estimates, assumptions and judgements")</td></tr>
<tr><td>Key Audit Matters</td><td>How we addressed the risk</td></tr>
<tr><td>As at 30 June 2017, the Group's property, plant and equipment amounted to $14,545,000 after an impairment loss of $7,772,000 and write off of $770,000 recognised in profit or loss during the year. The Company's cost of investments in subsidiaries amounted to $13,161,000.

Management has performed an impairment assessment as there is indication that the non-current assets may be impaired. The recoverable amount of the cash generating unit ("CGU") is compared with the carrying amount of the CGU to determine whether there is any impairment loss.

We focused on this area because of the significant judgements required in estimating the expected future cash flows.</td><td>Our audit of the recoverable amounts of property, plant and machinery of the Group and the investment in subsidiaries of the Company focused on the management's assessment of the recoverable amounts.

Our key procedures applied include, amongst others:

• Challenge the reasonableness of the revenue growth rates and the discount rate used by management in the discounted cash flows of the subsidiaries against the past and recent performance, trend analysis, market expectation and the Group's marketing plan;

• Perform sensitivity analysis to assess the impact on the recoverable amount of the CGU resulting from reasonably possible changes to the revenue growth rates and discount rate; and

• Evaluate the basis of full impairment on the leasing equipment of a subsidiary in Singapore against management's plan and the existing usability of the equipment.

Based on the above audit procedures performed, we found that the key estimates adopted by the management are reasonable. We have also considered the Group's disclosures about the estimation uncertainty to be adequate.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

Key Audit Matters (Continued)

<table>
<tr><td colspan="2">Valuation of inventories
(Refer to following notes to the financial statements
~ Note 12 and Note 2 “Critical accounting estimates, assumptions and judgements”)</td></tr>
<tr><td>Key Audit Matters</td><td>How we addressed the risk</td></tr>
<tr><td>As at 30 June 2017, the net carrying amount of inventories amounted to $17,498,000 which is stated after an allowance for slow moving and obsolete inventories of $2,733,000. Write-down recognised in profit or loss during the year is $2,398,000.

Management has provided write-down to net realisable values (NRV) whenever they are lower than the costs. The estimation of NRV involves significant judgements about the future market demand and future selling price or scrap value of inventory items.

We focused on this area because a change in the management's estimate of NRV could have a material impact on the carrying amounts of inventories.</td><td>Our audit of inventories valuation focused on challenging management's assessment of the slow moving and obsolete inventories.

Our key procedures applied include, amongst others:

• Evaluate and test key internal controls of purchasing cycle together with the costing computation;

• Test the inventories ageing report for its accuracy and reliability;

• Discuss with management to obtain understanding of the inventory management plans for slow moving and obsolete inventories and the basis of NRV; and

• Perform analysis of the current state of the slow moving and obsolete items for purposes of challenging the reasonableness of NRV, taking into consideration recent sales trend, latest selling price, current market condition, management's plan to scrap the obsolete items and the estimated scrap value.

Based on the above audit procedures performed, we found the inventory obsolescence provided in accordance with management's policy to be supportable on the basis of historical trends as well as management's inventory management plans.</td></tr>
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Crowe Horwath.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KTL GLOBAL LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe Horwath.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (Continued)

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.

The engagement partner on the audit resulting in this independent auditor's report is Goh Sia.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

27 September 2017

<u>EXTRACT OF THE NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017</u>

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group incurred a net loss of $29,634,000 (2016: $14,253,000) for the financial year ended 30 June 2017 and as of that date, the cash and cash equivalents and net current liabilities of the Group were $1,363,000 (2016: $1,419,000) and $13,093,000 (2016: net current assets of $292,000) respectively, resulting from a classification of the entire amounts of the long-term portion of bank loans amounting to $21,906,000 (2016: a loan amounting to $21,387,000) as current liabilities ("Accounting Classification"). As further disclosed in Note 18, the Accounting Classification arose from the technical breach of financial covenants (relating to profitability and loan servicing ratio) stipulated by the loan facility agreements pertaining to loans with carrying amounts of $26,509,000 (2016: $24,973,000) as at 30 June 2017.

These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis. Management's assessment of the Group and the Company's ability to continue as a going concern includes the following key assumptions:

(a) For those loans that are under technical breach of financial covenants, the banks will continue extending their loan facilities to the Group for a period of 12 months from the date these financial statements were approved;

(b) The Group will receive continuing support from the banks for extending their trade facilities as and when required;

(c) The Group will achieve the budgeted increase in revenue and improved margin within next financial year, and receive continuous support from its suppliers in order to generate positive operating cash flows to meet its working capital and financing requirements;

(d) The Group will be able to continue servicing the loan interest and principal as and when they fall due in accordance with the original repayment schedule;

(e) The Group will be able to divest its investment properties at the market value as at 30 June 2017 as and when required; and

(f) The Group will obtain necessary continuing support from its substantial shareholder, the Tan Family (meaning Tan Tock Han, Tan Kheng Yeow, Tan Kheng Kuan, each of their respective spouses and children, and Kim Teck Leong Pte. Ltd.) as and when necessary, including additional advances to the Group and not drawing or drawing partial salaries from the Group for the executive positions held.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities which may arise. No such adjustments have been made to these financial statements.