立德集团有限公司
KTMG LIMITED

INTEGRATING OUR STRENGTHS

ANNUAL REPORT 2019

INTEGRATING **OUR STRENGTHS**

With heightened uncertainties in the global business environment, as well as operational disruptions due to the recent COVID-19 outbreak, the Group has adopted a cautionary stance towards our operations and growth strategy. Having expanded upstream with the opening of our state-of-the-art textile manufacturing facility in Malaysia in July 2019, we are now fully integrated to work even closer with our customers. We will continue to work towards being robustly positioned for the upturn in the global economic climate in time to come.

KTMG LIMITED

This Annual Report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr. Ong Hwee Li at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, Telephone (65) 6232 3210.

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OUR VISION

To be a leading vertically integrated textile and apparel manufacturer through innovation and technology in Southeast Asia.

CORE VALUES

- Commitment
- Teamwork
- Quality
- Integrity
- Innovation

OUR MISSION

We are committed towards providing a platform with value-added services for customers to obtain cost-effective textile and apparel manufacturing solutions.

We aim to initiate and embrace sustainable business practices to enhance growth and stakeholders' value.

AT A GLANCE

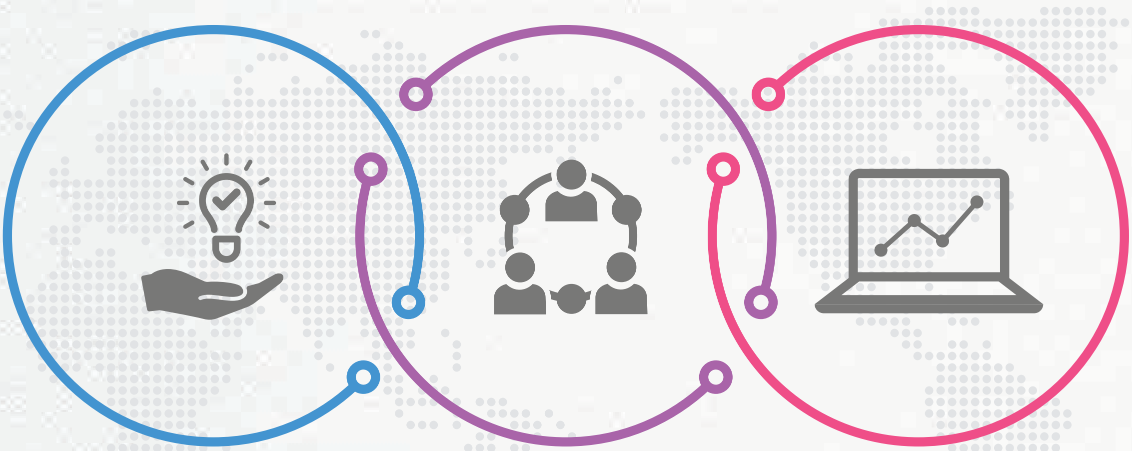
ABOUT KTMG LIMITED

Backed by a strong track record of more than 30 years, KTMG Limited ("**KTMG**" and together with its subsidiaries, the "**Group**") is a contract manufacturer of apparel specialising in nightwear, lounge wear, casual wear and plus-sized apparel for various ages. With facilities located in Malaysia and Cambodia, the Group manufactures apparel for retailers in the European Union, United Kingdom, United States of America and Canada who then sell apparel products under their own brands.

In 2019, KTMG expanded upstream into the knitting, dyeing, finishing, and printing of fabric with its very own textile manufacturing facility in Johor, Malaysia, thereby becoming an integrated textile and apparel manufacturer that will be competitive in the international sourcing market.

Together with the Group's co-creation business model, which allows KTMG to collaborate closely with its customers during the product initiation process, the Group is able to offer customers a one-stop, value-added platform, by giving them the right product at the right time and at the right cost.

CO-CREATION BUSINESS MODEL



CUSTOMERS' NEEDS

Addressing customers' needs by identifying and anticipating fashion trends, market direction and consumer preferences to develop products in accordance with customers' requirements

COLLABORATION

Working closely with customers in product initiation, conceptualisation & design, raw material development, prototype making and finalising product specifications for manufacturing

VALUE-ADDED PLATFORM

Providing a one-stop value-added platform to customers in an efficient and cost-effective manner, i.e. producing the right product at the right time and at the right cost

AT A GLANCE

MANUFACTURING FACILITIES

3 APPAREL | **1** TEXTILE

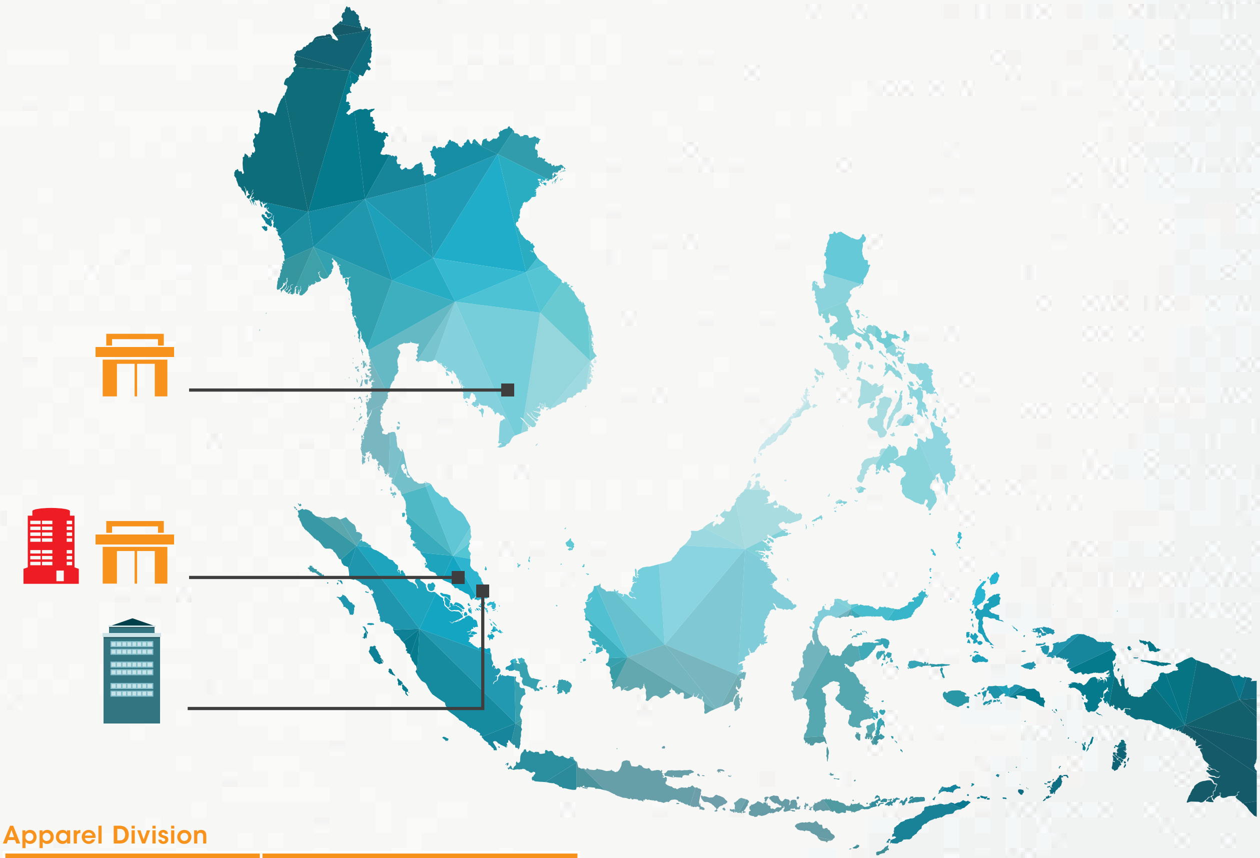
PRODUCTION LINES

42 APPAREL

PRODUCTION WORKERS

1728 APPAREL | **96** TEXTILE

MAP OF OPERATIONS



Apparel Division

	ANNUAL PRODUCTION CAPACITY (PCS)
Malaysia	4.56 million
Cambodia	21.02 million

Textile Division

	ANNUAL PRODUCTION CAPACITY (KGS)
Malaysia	3.60 million

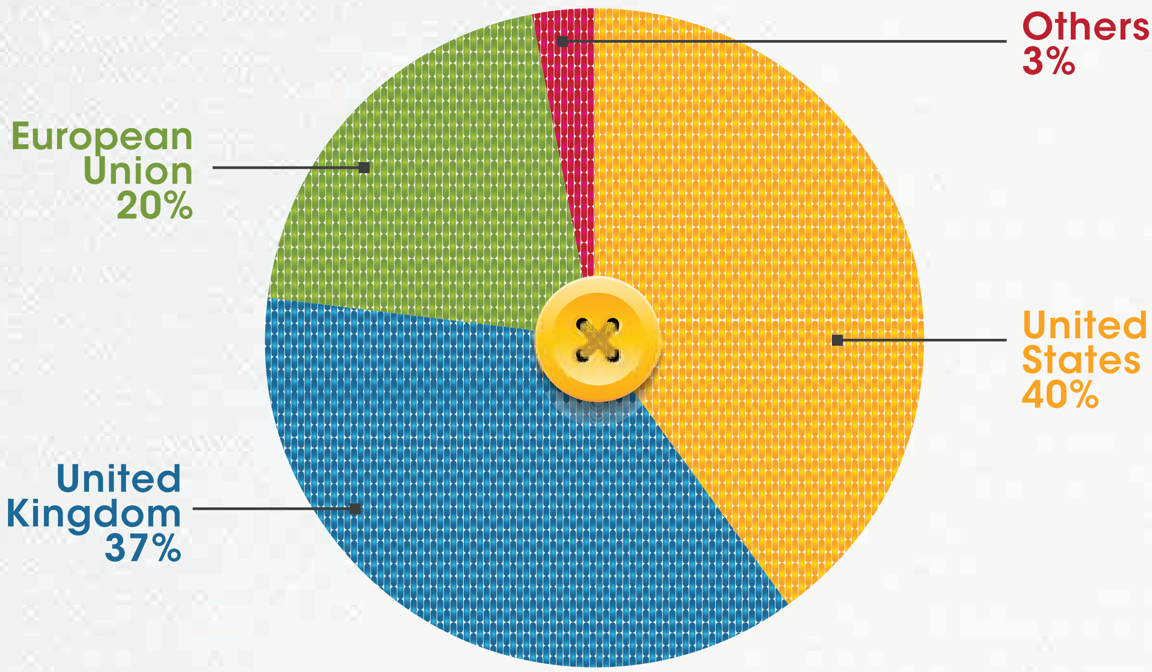
Operations Headquarters

Manufacturing Facilities

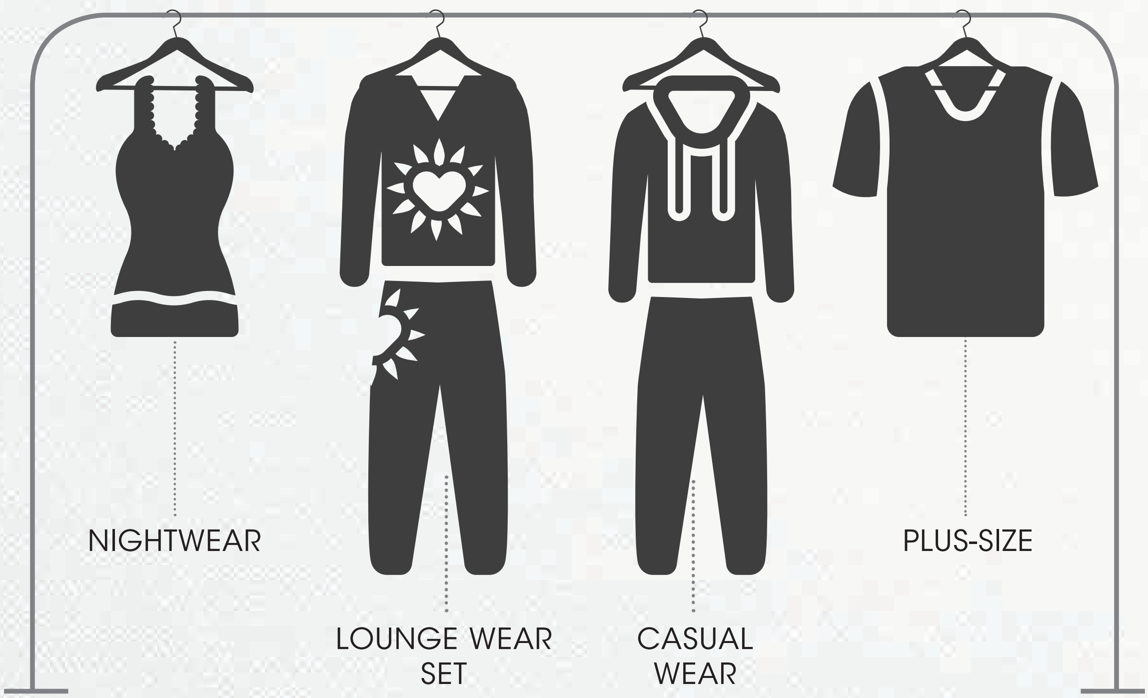
Corporate Office

AT A GLANCE

KEY EXPORT MARKETS



PRODUCT CATEGORIES



AT A GLANCE

FINANCIAL HIGHLIGHTS

REVENUE

S$87.6m

compared to FY2018
S$102.6m

GROSS PROFIT

S$13.5m

compared to FY2018
S$11.2m

NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

S$(1.9)m

compared to FY2018 net profit attributable to shareholders
S$1.6m

ADJUSTED NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS*

S$0.6m

* *After adjusting for the one-off non-recurring non-cash transaction cost and acquisition cost arising from the reverse takeover of Lereno Bio-Chem Ltd of S$2.5m.*

NET ASSET VALUE

S$15.4m

compared to FY2018
S$14.9m

CORPORATE MILESTONES

1988

Establishment of an apparel manufacturing factory by Mr Lim Siau Hing and his wife in a shop house in Batu Pahat

1998

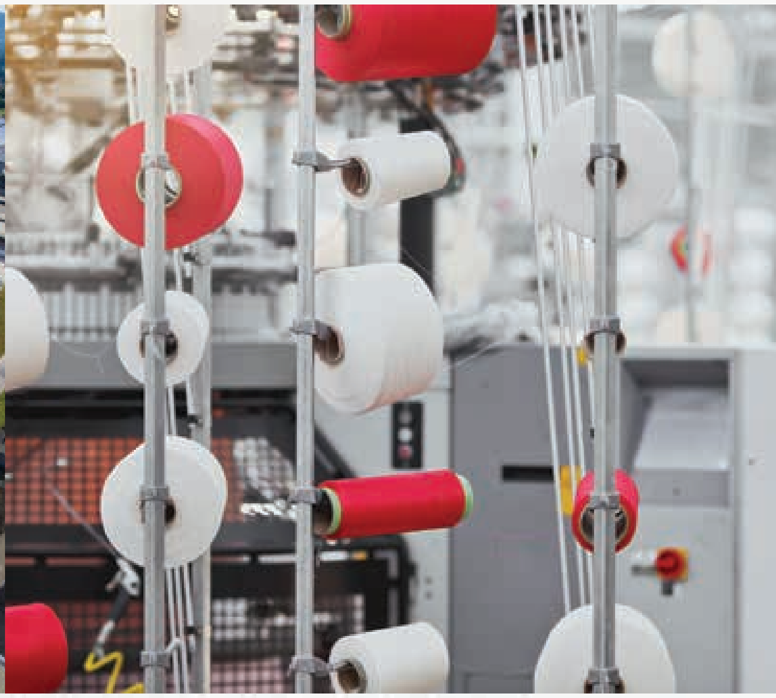
Expansion of operations to a bigger manufacturing facility in Batu Pahat

2006

Further expansion and relocation to current corporate headquarters and flagship manufacturing facility at Kawasan Perindustrian Sri Gading, Batu Pahat

UPSTREAM EXPANSION 2019

Knit Textile Integrated Industries Sdn. Bhd.



Fabric Knitting

CORPORATE **MILESTONES**

2009

Adoption of Co-Creation Business Model

2011

Establishment of first overseas apparel manufacturing facility, Moon Apparel (Cambodia) Co. Ltd, in Phnom Penh

2013

Establishment of Callisto Apparel (Cambodia) Co. Ltd, our second apparel manufacturing facility in Phnom Penh

2019

Listing on the Catalist Board of the Singapore Exchange

Commencement of operations of KTMG's first textile manufacturing facility in Batu Pahat

Fabric Dyeing

Fabric Setting

MESSAGE TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

In 2019, the Group reached a very significant milestone – our listing on the Catalist Board of the Singapore Exchange Securities Trading Limited on 13 May 2019 after completing the reverse takeover of Lereno Bio-Chem Ltd. ("**RTO**") on 18 February 2019. Following the completion of the RTO, we are pleased to present our 2019 Annual Report, reflecting our first full year on our own.

Since our listing, we have managed to both optimise and expand our operations. However, with geopolitical uncertainties and trade tensions continuing to persist, and disruption arising from the escalation of the outbreak of COVID-19 around the world, we have since taken a cautionary position with regards to our expansion plans.

Our First Full Year in Review

One of the highlights of the year was the commencement of operations at our new textile manufacturing facility in July. This facility, which has a production capacity of 200,000 kg per month, is involved in the knitting, dyeing, and finishing of customised fabric. Situated close to our existing apparel manufacturing factory in Batu Pahat, Malaysia, this textile manufacturing facility will allow us to produce textiles according to our specific requirements, which will in turn significantly reduce production lead time and enhance quality control for our apparel manufacturing business.

By streamlining our operations, we are now able to position ourselves as a one-stop integrated textile and apparel manufacturer with both upstream and downstream capabilities.

Additionally, with our new textile manufacturing facility, we are able to explore a potential revenue source from selling excess fabric to third-party buyers. This is also in line with the Group's expansion plans. We are hopeful that we will be able to grow sales from this avenue in the future.

During the year, we also made tangible progress towards optimising our existing apparel manufacturing operations at our factory in Malaysia and two facilities in Cambodia. We continued working towards incorporating greater automation in our processes, upgrading some of our existing machinery and purchasing new equipment to achieve more efficient production. This resulted in increased production efficiency at all three facilities, which consequently led to a rise in our gross profit margin for the financial year ended 31 December 2019 ("**FY2019**").

Financial Highlights

For FY2019, the Group recorded a net loss of S$1.9 million due mainly to a one-off non-cash charge for transaction and acquisition costs arising from the RTO of S$2.5 million. Excluding this expense, the Group would have registered a net profit of S$0.6 million compared to a net profit of S$1.6 million in FY2018.

Revenue declined by 14.6% to S$87.6 million, following the adoption of a new marketing strategy to focus on sales contracts with higher margin. This new strategy, along wih the reduction in work sub-contracted to other parties, led to the 19.9% jump in gross profit to S$13.5 million. Consequently, the Group's gross profit margin for the year improved by 4.4% to 15.4%.

As at 31 December 2019, the Group reported net assets of S$15.4 million, which translates into a net asset value per share of 9.06 Singapore cents.

MESSAGE TO SHAREHOLDERS

Moving Ahead

The Group is bracing itself for more challenging times ahead. In the coming year, we will continue to contend with uncertainties brought about by COVID-19, Brexit, US-China trade tensions, as well as the European Union's partial withdrawal of Cambodia's preferential trade status.

Amidst these volatile global conditions, the Group will cautiously explore opportunities for sustainable long-term growth, while building on our strengths as an integrated textile and apparel manufacturer.

The Group plans to develop and launch our own direct-to-consumer apparel brand. With our new textile manufacturing abilities, we have been able to embark on research and development initiatives, hone our expertise in fabric technology, and produce innovative materials, some of which can be used for our own brand. Moreover, with the future of retail leaning towards online platforms, the Group is hoping to capitalise on this shifting trend by marketing our apparel through e-commerce channels. Our overall strategy for our upcoming brand is to design, manufacture, and sell technologically-sustainable everyday apparel, tapping into a new customer base consisting of online shoppers.

We are also planning to add more machinery to our textile manufacturing operations to achieve our target production capacity of 600,000 kg per month by 2022. With the progressive upgrading of our machinery, we will be able to increase our production output in the long run.

With regards to our existing apparel manufacturing operations, we will continue to leverage on our established track record, strong reputation, and newly integrated abilities to seek out new business opportunities and diversify our customer base.

In light of the recent COVID-19 outbreak which has cast uncertainty on the global economic landscape, the Group will vigilantly monitor the situation and assess the repercussions of the outbreak as they evolve. In March 2020, we had temporarily shut down our Operations Head Office, Textile and Apparel Manufacturing Facilities located in Batu Pahat, Malaysia, following the Government of Malaysia's Movement Control Order. On 29 April 2020, we had resumed full operations following conditional approval from the Government of Malaysia. At this juncture, the Company expects that its cash flows, financial position and earnings per share for the current financial year ending 31 December 2020 to be negatively affected, but is still assessing the extent of impact of both the suspension of operations and the overall COVID-19 pandemic. The Board would like to assure shareholders that steps are taken to tighten cost controls, conserve the Group's cash flow and manage the working capital during this period.

Since the outbreak, there has been increased disruption in the supply of textiles and apparel from China. The Group recognises this as an opportunity to position itself as an alternative source of supply for customers moving away from China-based operations, especially with our new capabilities in integrated textile and apparel manufacturing.

Moving forward, we will focus on improving our business processes with the aim of improving our cost efficiencies, as well as developing our upcoming direct-to-consumer apparel brand in line with our goal of pursuing sustainable growth.

Embracing Corporate Social Responsibility

KTMG has consistently given back to the community over the years. As part of our ongoing outreach to the community, we have embarked on corporate social responsibility initiatives in order to support the less privileged in society.

Last Christmas, we donated garments and apparel to students at Don Bosco Technical School in Phnom Penh, Cambodia, just as we had done the year before. We intend to turn this into a yearly tradition, allowing us to establish deeper relationships with our wider community in Cambodia.

Dividend

In such economically uncertain times, the Board is of the view that it would be prudent to conserve cash. As such, we have not proposed any dividend in respect of FY2019's performance.

Appreciation

On behalf of our Board, we would like to express our appreciation to our business partners and customers for their continued support. We would also like to extend our gratitude to our staff and management for their hard work and commitment. We would also like to thank our fellow Board members, for their guidance and invaluable advice.

We will continue to work hard and take KTMG to greater heights. We are grateful for the support of our shareholders and look forward to walking the rest of our growth journey with you.

Lim Siau Hing
Executive Chairman

Damien Lim Vhe Kai
Executive Director and
Chief Executive Officer

Listing Ceremony at the Singapore Exchange on 13 May 2019

BOARD OF DIRECTORS

LIM SIAU HING, Executive Chairman

Board Committee(s) served on: Nil

Date of first appointment: 18 February 2019

Last re-elected: 29 April 2019

Academic and Professional Qualifications:

- Diploma in Textile Engineering from Feng Jia College, Taiwan (1969)

Background and working experience:
Mr Lim Siau Hing has over 50 years of experience in apparel and textile manufacturing. He is the co-founder of Knit Textiles Industries Sdn Bhd, a fabric knitting factory, which eventually paved the way for the establishment of Knit Textiles Mfg Sdn. Bhd. ("**KTM**") in 1988. He currently serves as Executive Chairman of the Group and is responsible for overseeing the Group's business direction and overall strategy.

Mr Lim began his career in 1969 as a supervisor in a yarn factory in Taiwan. In 1970, he joined Oriental Industries Private Limited in Singapore as a production manager, where he oversaw the production of synthetic fibre. In 1974, he became a production manager with Syntex Industries Sdn Bhd in Malacca. In 1977, together with a few business partners, Mr Lim set up Minat Industries Sdn Bhd, a fabric dyeing factory in Batu Pahat, Malaysia, where he served as a director. In 1981, Mr Lim left the partnership and founded Knit Textiles Industries Sdn. Bhd. with his wife.

Listed company directorships and other principal commitments:

- Callisto Apparel Holdings Pte. Ltd.
- Knit Textile Corporation Pte. Ltd.
- Knit Textile Holdings Sdn. Bhd.
- Knit Textiles Mfg. Sdn. Bhd.
- Moon Apparel Holdings Pte. Ltd.
- Knit Textile & Apparel Pte. Ltd.
- Knit Textile Integrated Industries Sdn. Bhd. (formerly known as Ocean Art & Embellishment Sdn. Bhd.)

BOARD OF DIRECTORS

DAMIEN LIM VHE KAI, Executive Director and Chief Executive Officer

Board Committee(s) served on: Nil

Date of first appointment: 18 February 2019

Last re-elected: 29 April 2019

Academic and Professional Qualifications:
- Bachelor of Science, Computer Information Systems (Honours) from University of Windsor (1997)

Background and working experience:
Mr Damien Lim Vhe Kai joined KTM in August 2002, and has more than 17 years of experience in the apparel manufacturing sector. He currently serves as Executive Director and Chief Executive Officer of the Group and oversees the Group's operations. Additionally, he is responsible for setting the Group's strategic direction and executing its business strategy. Mr Lim also spearheads the design, marketing, and development of new products.

Mr Lim began his career as an information technology ("**IT**") professional upon graduating from his university studies in Canada. Mr Lim was involved in the planning and implementation of a nationwide customer management system for Telekom Malaysia from 1997 to 1999. In 2000, he joined e-Komoditi.com Sdn Bhd, an online procurement platform, where he helped to design and set up a data centre for the platform in collaboration with Motorola, Inc.. He was also a Group Network Security consultant for RHB banking group in 2001, where he assessed the group's online banking system and network vulnerabilities, and provided technical consultancy regarding its data center and network infrastructure.

He joined the Group in August 2002 to help his father, Mr Lim Siau Hing, in the family business.

Listed company directorships and other principal commitments:
- Knit Textiles Mfg. Sdn. Bhd.
- Knit Textile Integrated Industries Sdn. Bhd. (formerly known as Ocean Art & Embellishment Sdn. Bhd.)
- Knit Textile Corporation Pte. Ltd.
- Callisto Apparel (Cambodia) Co., Ltd.
- Moon Apparel (Cambodia) Co., Ltd.
- Vertical Delta Sdn. Bhd.
- Haruaki Ventures Sdn. Bhd.
- Windsor Mile Capital Pte. Ltd.
- Xentika Limited

BOARD OF DIRECTORS

GOH YEOW TIN, Non-Executive and Lead Independent Director

Board Committee(s) served on:
- Nominating Committee (Chairman)
- Audit Committee (Member)
- Remuneration Committee (Member)

Date of first appointment: 1 October 2007

Last re-elected: 18 February 2019

Academic and Professional Qualifications:
- Bachelor Degree in Mechanical Engineering (Honours) from University of Singapore (1975)
- Masters Degree in Industrial Engineering and Management from Asian Institute of Technology (1979)

Background and working experience:
Mr Goh Yeow Tin is currently the Non-Executive Chairman of Seacare Foundation Pte Ltd and Seacare Manpower Pte Ltd.

He began his career in September 1979 with the Economic Development Board ("**EDB**") where he headed the Local Industries Unit and was subsequently appointed a director of EDB's Automation Applications Centre in 1983. Mr Goh also served as the deputy managing director of Tonhow Industries Ltd, the first SESDAQ listed plastic injection moulding company, from 1991 to 1993. He was also the vice-president of Times Publishing Ltd from 1996 to 2006, overseeing the Group's Retail and Distribution businesses.

Mr Goh was also the founding member of the Association of Small and Medium Enterprise ("**ASME**"). He also founded International Franchise Pte Ltd, a pioneer in the franchising business in Singapore, in 1986.

He is a member of the Singapore Institute of Directors. He is an Independent Director of Sheng Siong Group Ltd, AsiaPhos Limited, Vicom Ltd and TLV Holdings Limited.

In recognition of his many years of social and community services, Mr Goh was awarded the Public Service Star (Bar) in 2015 and was appointed a Justice of the Peace in September 2015.

Listed company directorships and other principal commitments:
- Sheng Siong Group Ltd.
- AsiaPhos Limited
- Vicom Ltd
- TLV Holdings Limited
- Edu Community Pte. Ltd.
- Kiran Electronic B & C Services Pte. Ltd.
- Seacare Foundation Pte Ltd
- Seacare Manpower Services Pte Ltd
- Seacare Medical Holdings Pte Ltd
- Watertech Pte. Ltd.

BOARD OF DIRECTORS

YAP BOH PIN, Non-Executive and Independent Director

Board Committee(s) served on:
- Audit Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Date of first appointment: 1 April 2004

Last re-elected: 29 April 2019

Academic and Professional Qualifications:
- Chartered Accountant (Associate) of the Institute of Chartered Accountant in England and Wales (1966)
- Chartered Accountant (Fellow) of the Institute of Chartered Accountant in England and Wales (1997)
- Chartered Accountant (Fellow) of the Institute of Singapore Chartered Accountants (2005)

Background and working experience:
Mr Yap Boh Pin is currently the managing director of B.P.Y Private Limited, a firm of management consultants which provides financial planning, financial accounting, reviewing internal control systems as well as corporate secretarial services. Between July 1975 and January 1999, Mr Yap was a senior partner at Yap Boh Pin & Co, which provided advice on auditing, taxation, liquidation and corporate restructuring matters.

Mr Yap is currently a director of TeleChoice International Limited, which is listed on the SGX-ST, and Overseas Realty (Ceylon) Plc, a public listed company in Sri Lanka. Mr Yap also holds directorship in Asia Mobile Holdings Pte Ltd, which is a subsidiary of Singapore Technologies Telemedia Pte Ltd.

Additionally, Mr Yap has also held directorships in various public companies between 1975 and 2000, including Singapore Land Limited, L&M Investments Limited and Pan Pacific Public Company Limited. During his appointment at these companies, Mr Yap was a member of the Executive Committee and/or Audit Committee, assisting in the evaluation and recommendation of changes to their system of internal controls as well as corporate governance.

Beyond the corporate sector, Mr Yap is actively involved in various non-profit, educational and social welfare organisations. He is an honorary council member of the Singapore Hokkien Huay Kuan. In January 2008, Mr Yap was appointed as Director at ACS (International) and Chairman of their Finance Committee. He was also a member of the Board of Trustees and Audit Committee of the Chinese Development Assistance Council from March 2006 to June 2018. He also held the posts of Chairman, Finance Committee and Honorary Treasurer of Singapore Heart Foundation from July 2009 to September 2013.

Listed company directorships and other principal commitments:
- STT Communications (Beijing) Co., Ltd
- B.P.Y Private Limited

BOARD OF DIRECTORS

KOH BOON HUAT, Non-Executive and Independent Director

Board Committee(s) served on:
- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)

Date of first appointment: 18 February 2019

Last re-elected: 29 April 2019

Academic and Professional Qualifications:
- Diploma in Management from Malaysian Institute of Management (1998)
- Degree in Management (Honours) from Multimedia University (2006)

Background and working experience:
Mr Koh Boon Huat has 40 years of experience in the banking and finance industry. He has extensive knowledge and expertise in banking operations, credit and marketing, compliance, collections and recovery.

He commenced his career in 1974 as a clerk in Malayan Banking Bhd, Batu Pahat. Mr Koh was also an officer of Arab-Malaysian Finance Bhd, Batu Pahat, in 1985, before joining First Malaysia Finance Berhad, Batu Pahat, in 1988 as a credit officer. He subsequently joined MBF Finance Berhad, Pontian, in 1991 and MBF Finance Berhad, Batu Pahat in 1993 as branch manager. Between 1995 and 1996, Mr Koh was the personal assistant to the managing director of S.P.I. Holdings Sdn. Bhd. He rejoined the banking industry in 1997 as a branch manager for Oriental Bank Berhad, Batu Berendam. He subsequently served as a branch manager for Phileo Allied Bank Berhad, Batu Pahat from 1997 to 2001. In 2001, Mr Koh Boon Huat was the branch manager of United Overseas Bank (Malaysia) Bhd, Kluang, and from 2002 to 2008, he was the branch manager of United Overseas Bank (Malaysia) Bhd, Batu Pahat. He last held the position of area manager with United Overseas Bank (Malaysia) Bhd, South Area Centre from November 2008 to June 2016, where he was responsible for managing eight branches in Johor and Melaka with a staff force of over 400 employees.

Additionally, Mr Koh was a committee member of Johor State Asian Institute of Chartered Bankers Advisory Council between August 2011 and June 2016.

Listed company directorships and other principal commitments:
- Acoustech Bhd

KEY EXECUTIVES

CHEW CHONG KIAT, Chief Operating Officer ("**COO**")

Mr Chew Chong Kiat is responsible for the day-to-day operations of the Group, overseeing the human resource, administration, shipping, IT and production departments.

Mr Chew has been with the Group since July 2002. Prior to his appointment as COO, he was the general manager of KTM.

Mr Chew began his career as a credit control officer with Malpac Securities Sdn Bhd from March 1996 to December 1998. He then joined Wah Tat Bank Berhad as an operations officer in January 1999, before making a career switch and joining the education sector. In early January 2000, he was a lecturer of Economics at Taylor's College, Subang in Malaysia. From July 2000 to June 2002, he was a lecturer of Economics at Sepang Institute of Technology, Klang.

Mr Chew graduated with a Bachelor of Arts from the University of Toronto in December 1995, double-majoring in Economics and Industrial Relations.

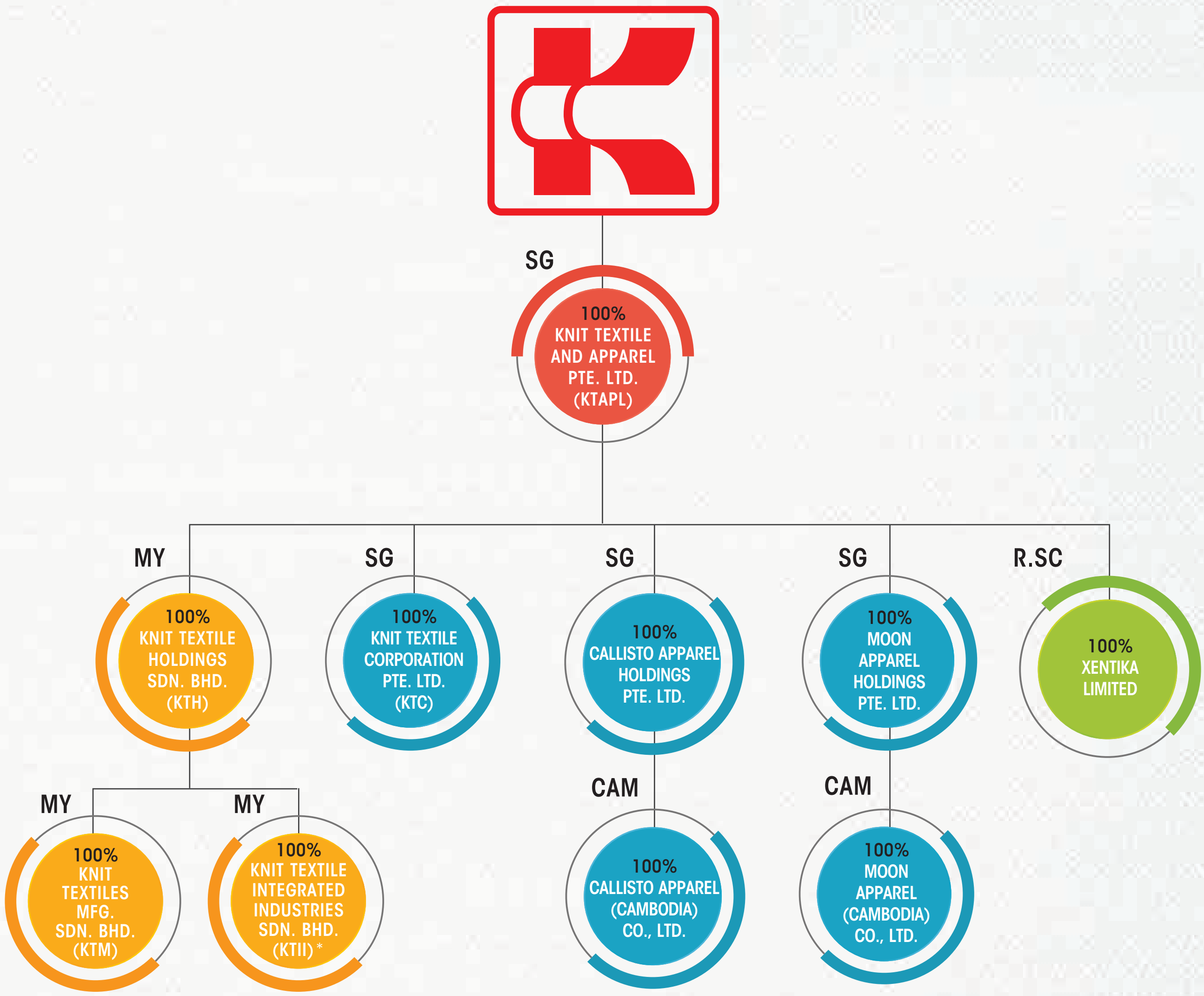
LOW YONG HENG, Financial Controller

Mr Low Yong Heng supervises the accounts and finance department of the Group.

Mr Low has accumulated over 25 years of experience in the accounting and finance industry. He began his career as an auditor before joining the commercial sector where he has held finance and accounting roles in various industries such as manufacturing, trading, construction and property development.

Mr Low graduated with a Bachelor's degree of Commerce from University of Wollongong in 1993. He is also a member of the Certified Practising Accountants (CPA Australia) and the Malaysian Institute of Accountants (MIA).

GROUP STRUCTURE



Legend

MY	Malaysia
SG	Singapore
CAM	Cambodia
R.SC	Republic of Seychelles

* Formerly known as Ocean Art & Embellishment Sdn. Bhd.

GROUP PROPERTIES

Group Properties

As at the date of this Annual Report, KTMG owns (100%) of the following properties in Malaysia.

LOCATION	DESCRIPTION	LAND AREA (SQ.M)	TENURE	EXPIRY DATE	Book Value (RM'MILLION) AS AT 31/12/2019
No. 3A, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia	Industrial land with manufacturing factory	14,630 (Land area)	Leasehold (60 years)	28-Aug-2067	3.60
No. 3 and 3-1, Jalan Wawasan 21, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia.	Industrial land with manufacturing factory	7,955 (Land area)	Leasehold (60 years)	28-Aug-2067	4.28
PTD47291, Jalan Wawasan 21, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia.	Industrial land	8,684.6 (Land area)	Leasehold (60 years)	24-Jan-2067	1.36
F-01, The Summit Batu Pahat, No. 88, Jalan Bakau Condong, 83000 Batu Pahat, Johor, Malaysia.	Commercial Shop lot	42.5 (Built-up area)	Freehold	-	0.19
20, Jalan Sri Mewah 4, Taman Sri Mewah, 86200 Simpang Renggam, Johor, Malaysia.	Commercial Shop lot	418.1 (Land area)	Freehold	-	0.34
HS (D) 1038 PTD 1856, Jalan Perahu, Taman Perindustrian Tongkang Pechah, Mukim Linau, 83000 Batu Pahat, Johor, Malaysia	Industrial land	4,046.9 (Land area)	Leasehold (60 years)	6-Apr-2040	1.04
No. 2, Jalan Perahu, Taman Perindustrian Tongkang Pechah, 83000 Batu Pahat, Johor, Malaysia	Industrial land with manufacturing factory	17,498 (Land area)	Freehold	-	21.30

FINANCIAL REVIEW

PERFORMANCE REVIEW

	FY2019	FY2018
	S$'000	S$'000
		(unaudited)
Revenue	87,571	102,583
Gross profit	13,485	11,247
Gross profit margin	15.4%	11.0%
(Loss)/profit before taxation	(1,736)	1,735
(Loss)/profit after taxation	(1,903)	1,597
Adjusted profit after taxation	626*	1,597

** After adjusting for the one-off non-recurring non-cash transaction and acquisition costs arising from the RTO of S$2.5 million*

In FY2019, the Group's revenue declined by 14.6% to S$87.6 million, following the adoption of a new marketing strategy to focus on sales contracts with higher margin.

This new strategy, along with the reduction in work sub-contracted to other parties led the 19.9% increase in gross profit to S$13.5 million. The Group's gross profit margin for the year improved by 4.4% to 15.4%.

Administrative and general expenses increased by 72.7% to S$9.4 million mainly attributable to (i) a one-off non-cash transaction and acquisition costs arising from the RTO amounting to S$1.1 million and S$1.4 million respectively; (ii) increase in professional fees of S$0.4 million; (iii) increase in directors' remuneration of S$0.3 million; (iv) increase in staff costs of S$0.2 million due to additional staff employed for the new fabric dyeing business; and (iv) recognition of impairment loss on trade receivables of S$0.5 million.

Selling and marketing expenses increased by 43.0% to S$5.1 million largely due to an increase in (i) air freight cost of S$0.9 million arising from delays in shipments of our finished goods to customers; (ii) sales rebate to a secured buyer of S$0.5 million; and (iii) commission paid to an apparel sourcing agent amounting to S$0.2 million.

Finance cost increased by 40.9% to S$0.9 million due to the drawdown of term loan to finance the construction of the new fabric dyeing facility.

As a result, the Group recorded a net loss after tax of S$1.9 million in FY2019. Excluding the transaction and acquisition costs arising from the RTO of S$2.5 million, the Group would have registered a net profit after tax of S$0.6 million compared to a net profit after tax of S$1.6 million in FY2018.

FINANCIAL REVIEW

FINANCIAL POSITION

	As at 31 December 2019	As at 31 December 2018
	S$'000	S$'000
		(unaudited)
Non-current assets	19,737	17,449
Current assets	29,760	38,582
Non-current liabilities	5,349	5,667
Current liabilities	28,767	35,518
Net assets	15,381	14,846
Number of ordinary shares in issue ('000)	169,682	73,632
Net asset value per share (Singapore cents)	9.06	20.16

As at 31 December 2019, the Group reported net assets of S$15.4 million, which translates to a net asset value per share of 9.06 Singapore cents. Cash and cash equivalents stood at S$3.4 million.

Non-current assets

The increase of S$2.3 million in non-current assets arose from (i) leases on the Group's factory premises in Cambodia classified as "right-of-use assets" on the adoption of SFRS(I) 16, which were previously accounted for as "operating leases" under SFRS(I) 1-17 Leases ; and (ii) the Group's capital expenditure for the water treatment plant at the new textile manufacturing facility in Malaysia and the purchase of new machinery for the Group's operations of S$1.9 million, respectively, offset by depreciation charge on property, plant and equipment and right-of-use assets of $2.0 million.

Current assets

Current assets decreased by 21.3% to S$30.4 million, largely attributable to a decline in (i) inventories of S$1.3 million due to lesser purchase of fabrics and raw materials towards the end of FY2019 in anticipation of lower demand in the first quarter of 2020; (ii) trade and other receivables of S$6.2 million due to a better collections from trade debtors; and (iii) cash and cash equivalents of S$1.6 million as a result of cash used for the operations of the newly set-up fabric dyeing facility and repayment of term loans and interest.

Non-current liabilities

Non-current liabilities decreased by 5.6% to S$5.3 million mainly due to a decrease in (i) long-term borrowings of S$1.8 million as a result of the restructuring of a long-term loan to a shorter period loan; and (ii) deferred tax liabilities of S$0.3 million. The decrease was partially offset by lease liabilities of S$1.8 million following the adoption of the new lease accounting standard, Singapore Financial Reporting Standards (International) 16 – Leases.

FINANCIAL **REVIEW**

Current liabilities

Current liabilities decreased by 19% to S$28.8 million, mainly due to a decline in (i) borrowings of S$0.9 million arising from the repayment of bank loan; and (ii) trade and other payables of S$6.3 million as a result improvement in payments cycle to the trade creditors. This was partially offset by lease liabilities of S$0.5 million following the adoption of the new lease accounting standard, Singapore Financial Reporting Standards (International) 16 – Leases.

CASH FLOW

	FY2019	FY2018
	S$'000	S$'000
		(unaudited)
Net cash generated from operating activities	4,129	2,011
Net cash used in investing activities	(1,755)	(3,242)
Net cash (used in)/generated from financing activities	(3,941)	1,954
Cash and cash equivalents as at end of the year*	2,224	3,908

** Excluding pledged deposits of $1.1 million (2018:$1.0 million)*

For FY2019, net cash flows from operating activities amounted to S$4.1 million, comprising operating cash inflows before changes in working capital of S$4.1 million and a decrease in inventories, decrease in trade and other receivables, interest received, partially offset by a decrease in trade and other payables and income tax paid.

The Group used S$1.8 million cash for investing activities for the capital expenditure incurred for the water treatment plant for the textile manufacturing facility, as well as for the purchase of new machinery for the Group's operations.

Net cash used in financing activities of S$3.9 million was largely due to repayment of term loans, other short term loans and interests, which was partially offset by drawdown of term loan and short-term borrowings for capital requirement.

Consequently, the Group's cash and cash equivalents decreased from S$3.9 million to S$2.2 million in FY2019.

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STATEMENT OF **CORPORATE GOVERNANCE**

FY 31 DECEMBER 2019

The Board of Directors (the "**Board**" or "**Directors**") of KTMG Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to ensuring and maintaining a high standard of corporate governance within the Group to ensure transparency and protection of the interests of the shareholders.

The Group is committed to achieving and maintaining high standards of corporate governance. The Group has substantively complied with the recommendations of the revised Code of Corporate Governance ("**Code**"), issued on 6 August 2018, through effective self-regulatory corporate practices to protect and enhance the interests of its shareholders. The Code aims to promote high levels of corporate governance by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies.

This report ("**Report**") describes the Group's corporate governance processes and activities in conjunction with the requirements of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**") that issuers describe its corporate governance practices with specific reference to the Code in its annual reports.

Pursuant to Rule 710 of the Catalist Rules, the Board confirms that the Company and Group have, for the financial year ended 31 December 2019 ("**FY2019**"), complied with and observed the Principles as set out in the Code. The Board also confirms that where there are deviations from the Provisions of the Code, explanations, including the provision from which it has varied, reasons for deviation and how the Group's practices are consistent with the aim and philosophy of the Principle in question, have been provided in the relevant sections below:–

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board oversees the management of the Company. It sets the corporate strategies of the Group and sets directions and goals for the management. It supervises the management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

As at the date of this report, the members of the Board are as follows:

Mr Lim Siau Hing @ Lim Kim Hoe	(Executive Chairman)
Mr Lim Vhe Kai	(Executive Director and Chief Executive Officer)
Mr Goh Yeow Tin	(Non-Executive and Lead Independent Director)
Mr Yap Boh Pin	(Non-Executive and Independent Director)
Mr Koh Boon Huat	(Non-Executive and Independent Director)

STATEMENT OF **CORPORATE GOVERNANCE**

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The Board's principal functions, apart from its statutory duties, are:–

1. Evaluating and approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;

2. Reviewing the performance of the business and approving the release of the financial results announcement of the Group to shareholders;

3. Providing guidance in the overall management of the business and affairs of the Group;

4. Overseeing the processes for internal controls, risk management, financial reporting and statutory compliance;

5. Approving the recommended framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee; and

6. Considering sustainability issues such as environmental and social factors.

Directors are fiduciaries who act objectively in the best interests of the Company and work with Management for performance and long term success of the Group. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest will disclose and recuse themselves from discussions and decisions involving the issues of conflict.

To facilitate effective management, the Board has delegated certain specific responsibilities to three (3) board committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**", and together, the "**Board Committees**").

The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. More information on the Board Committees is set out in this Report. The Board accepts that while the Board Committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Matters which are specifically reserved for decision by the Board include:

(a) Approval and announcement of half-year and full year financial statements results announcements, and the release of the Company's annual reports;

(b) Convening of shareholders' meeting and circulars to shareholders to be issued in connection therewith;

(c) Declaration of interim dividends and proposal of final dividends;

(d) Approval of material investments, acquisitions and disposals of assets;

(e) Approval of major transactions; and

(f) Approval of corporate or financial structuring, annual budgets, corporate strategy, share issuances, and communications with regulatory authorities and shareholder matters.

The Board ensures that incoming new Directors are given comprehensive and tailored induction training on joining the Board including onsite visits, if necessary, to familiarise them with the business of the Group and the corporate governance practices of the Group upon their appointment to facilitate the effectiveness in discharging their duties.

All Directors are regularly updated by Management and the Corporate Secretary on the industry, business, operations and corporate governance practices of the Group. The Company will, from time to time, invite Directors to attend seminars and briefing sessions to keep pace with financial, corporate governance, regulatory and other changes at the Company's expense. Currently, all Directors are members of the Singapore Institute of Directors ("**SID**"), and are eligible to receive updates and training from SID. Directors and Senior Management are encouraged to attend relevant courses and subscribe for journal updates on matters of topical interest.

During FY2019, the Directors were provided with updates on changes in laws and regulations, including the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), Catalist Rules and the Code of Corporate Governance, which are relevant to the Group. The external auditors regularly update the Audit Committee and the Board on the developments in the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the Management, including attending training in relation to the updates of SFRS(I). In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during Board and Board Committee meetings.

All newly-appointed Directors who have no prior experience as directors of a listed company in Singapore will undergo training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST, pursuant to Rule 406(3)(a) of the Catalist Rules. Following the completion of the RTO on 18 February 2019, Mr Lim Siau Hing @ Lim Kim Hoe, Mr Lim Vhe Kai and Mr Koh Boon Huat have attended the respective trainings as prescribed by the SGX-ST during FY2019.

The Executive Directors are appointed by way of service agreements, while the Independent Directors will be appointed by way of letters of appointments. The duties and responsibilities of Directors are clearly set out on these service agreements and letters of appointments.

The Board meets regularly at least twice a year, with Board and AC meetings being held at least twice a year, and RC and NC meetings held at least once a year. Informal meetings will also be held to discuss and update on corporate and commercial matters where necessary, or as warranted by circumstances to deliberate on urgent substantive matters or when required to address any specific significant matters that may arise from time to time. Article 106 of the Company's Constitution allows for participation in board meetings via telephone conference and other electronic or telegraphic means.

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Directors' attendance at Board and Board Committee Meetings held for FY2019 up to the date of this Report is tabulated below:-

Types of Meetings	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
Names of Directors	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Lim Siau Hing @ Lim Kim Hoe	2	2	–	–	–	–	–	–
Lim Vhe Kai	2	2	–	–	–	–	–	–
Goh Yeow Tin	2	2	2	2	1	1	1	1
Yap Boh Pin	2	2	2	2	1	1	1	1
Koh Boon Huat	2	2	2	2	1	1	1	1

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a director of the Company. For FY2019, the NC is of the view that Directors with multiple board representations and other principal commitments, have also ensured that sufficient time and attention are given to the affairs of each company. The Board has not fixed the maximum number of listed company board representations and other principal commitments which any Director may hold. Further details of which is set out under Principle 4 of this Report.

The Management provides the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis to ensure that the Directors are able to fulfil their duties and responsibilities, and make informed decision. Management also provides periodic reports on material operational and financial matters of the Company and of the Group.

As a general rule, the Board papers are required to be sent by management to Directors at least seven (7) days before the Board and Board Committee meetings so that the members may better understand the matters before the meetings and discussion may be focused on questions that the Board has.

On an ongoing basis, the information provided to the Board include financial management reports, reports on performance of the Group against the budget with notes on any significant variances, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group. Thereafter, the Company circulates copies of the minutes of the meetings of all Board and Board Committees to all members of the Board to keep them informed of on-going developments within the Group.

The Directors have separate and independent access to the Company's Management, the Company Secretary, and external advisers (where necessary) at the Company's expense. The Board has the right to seek independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. The Directors of the Company, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

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The Company Secretary or their respective representatives administer, attend and prepare minutes of Board and Board Committee meetings as well as shareholders' meetings. They assist the Chairman in ensuring that Board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Catalist Rules are complied with. They also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view of enhancing long-term shareholders' value. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board currently comprises five (5) Directors of whom three (3) are Non-Executive and Independent Directors. As the current Chairman of the Board is not independent, and the Executive Chairman and the Chief Executive Officer ("**CEO**") are immediate family members, the Company is in compliance with the relevant provisions requiring majority of the Board to be made up of Non-Executive and Independent Directors. Accordingly, the independent element on the Board is strong, where the Non-Executive and Independent Directors are able to exercise objective judgement independently from Management and substantial shareholders and no individual or small group of individuals dominate the decisions of the Board.

The NC and the Board has adopted the Code's criteria of an independent director in its review. An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment in the best interests of the Company.

Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules also stipulate that a director will not be independent if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. In this regard, each of the Independent Directors has confirmed that they and their respective associates do not have any employment relationships with the Company.

Accordingly, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company.

The independence of each independent Director will be reviewed annually by the NC and the Board. Each independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules. The Independent Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

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Accordingly, the NC and the Board have reviewed and ascertained that all Independent Directors are independent according to the Code and the Catalist Rules, and noted that none of the Independent Directors has any relationship with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the Director's independent judgement.

The independence of any director who has served on the Board beyond nine (9) years from the date of his first appointment will be subject to more rigorous review.

As at the date of this Report, two (2) of the three (3) Non-Executive and Independent Directors, Mr Yap Boh Pin and Mr Goh Yeow Tin have served on the Board for more than nine (9) years, from the date of their first appointment as Directors of the Company:–

(a) Mr Yap Boh Pin, who was appointed from 1 April 2004; and

(b) Mr Goh Yeow Tin, who was appointed from 1 October 2007.

Based on the declarations of independence provided and the assessment of the NC, the Board has rigorously reviewed and is of the view that they are able to exercise independent and objective judgement, considering also that there are no relationship or circumstance which will affect their judgement and ability to discharge their duties and responsibilities as independent directors. The Board had also considered that Mr Goh Yeow Tin and Mr Yap Boh Pin were appointed as and acted as Independent Directors at a time when the Company was carrying on a different business that was led by a different management prior to the completion of the reverse takeover transaction. Further, Mr Goh Yeow Tin and Mr Yap Boh Pin have substantial business and commercial experience and substantial understanding of the role of, and experience in acting as, independent directors, having been appointed as independent directors of a number of SGX-ST listed companies over the years. The Board does not consider it to be in the interests of the Company and shareholders to require all directors who have served more than 9 years or longer to retire and favours ensuring continuity and stability. The Board is of the opinion that their length of service has not, in anyway, affected their independence.

Notwithstanding the above, the Board also notes Rule 406(3)(d)(iii) of the Catalist Rules which will be effective 1 January 2022, which requires the re-appointment of directors who have served the Board beyond nine (9) years from the date of their first appointment to be subjected to a two-tier shareholders' vote. In this respect, the Board may consider developing its Board's succession plans at the appropriate time. Prior to which, the Board will continue to subject the independence of both Mr Yap Boh Pin and Mr Goh Yeow Tin to a particularly rigorous review.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The NC has opined that the current size of the Board and Board Committees is appropriate, taking into account the nature and scope of the Group's operations.

The Board is made up of Directors who are qualified and experienced in various fields including in the areas of strategic planning, business and management, accounting and finance, engineering and industry which the Group operates in. The Board considers that its composition of Directors is well-balanced, with each Director having well-mixed knowledge, business network and commercial experience. The profiles of each of the Directors are provided in pages 11 to 15 of this Annual Report. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and oversee the Company.

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To facilitate a more effective check on the Management, the Non-Executive and Independent Directors meet at least once a year with the internal and external auditors without the presence of the Management. The Independent Directors also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern. Feedback arising from such meetings or discussions is provided to the Board or Executive Chairman, as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Company believes that a clear division of responsibilities between the Executive Chairman and CEO ensures proper balance of power, increased accountability and greater capacity of the Board for independent decision-making. The positions of the Executive Chairman and CEO are held by Mr Lim Siau Hing @ Lim Kim Hoe and Mr Lim Vhe Kai respectively. Mr Lim Siau Hing is the father of Mr Lim Vhe Kai. Notwithstanding that the Executive Chairman and CEO are related, as the AC, NC and RC consist of all Non-Executive and Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place to ensure that the process of decision making is independent, based on collective decisions without any individual or group of individuals being able to exercise considerable concentration of power or influence.

The Executive Chairman's duties and responsibilities, among others, include:–

– to lead and set the agenda for the Board to ensure its effectiveness;

– scheduling meetings to enable the Board to perform its duties responsibly;

– preparing meeting agenda in consultation with the CEO;

– ensuring the proper conduct of meetings and accurate documentation of the proceedings;

– ensuring smooth and timely flow of information between the Board and management and between the Company and its shareholders;

– facilitating the effective contribution of the Independent Directors;

– promoting high standards of corporate governance; and

– ensuring compliance with internal policies and guidelines of the Company.

The CEO's duties and responsibilities, amongst other things, include:–

– improving, developing, extending, maintaining, advising and promoting the Group's businesses to protect and further the reputation, interest and success of the Company and the Group;

– undertaking such duties and exercising such powers in relation to the Company, the Group and their businesses as the Board shall from time to time properly assign to or vest in him in his capacity as CEO and all other matters incidental to the same; and

– overseeing, formulating and implementing corporate strategies and directions for the affairs of the Group.

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In view that the Executive Chairman is not being regarded as independent, Mr Goh Yeow Tin as Lead Independent Director will be available to Shareholders where they have concerns for which contact through normal channels of communication with the Executive Chairman or Management are inappropriate or inadequate. In addition to the above, when it is necessary, the Independent Directors shall meet without the presence of the other directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following members, all of whom are Non-Executive and Independent. The Lead Independent Director is also the Chairman of the NC.

Mr Goh Yeow Tin	(Chairman of NC and Non-Executive & Lead Independent Director)
Mr Yap Boh Pin	(Member and Non-Executive & Independent Director)
Mr Koh Boon Huat	(Member and Non-Executive & Independent Director)

The NC's key terms of reference, describing its responsibilities, include:–

(a) Reviewing succession plans for the Directors, in particular, the appointment and/or replacement of the Executive Chairman, CEO and Management;

(b) Reviewing and recommending the appointment and re-appointment of the Directors having regard to the Director's contribution and performance, including attendance, preparedness and participation;

(c) Determining on an annual basis whether or not a Director is independent in accordance to the Code;

(d) Reviewing the training and professional development programs for the Board;

(e) Reviewing a Director's multiple board representations on various companies and deciding whether or not such Director is able to and has been adequately carrying out his duties as director; and

(f) Deciding on how the performance of the Board, its Board Committee and its Directors is to be evaluated and proposing objective performance criteria subject to the approval by the Board.

As described under Principle 2 of this Report, the independence of each Director is reviewed annually, or as and when circumstances require, by the NC based on the guidelines set out in the Code and the Catalist Rules. The NC's assessment of the independence of a director is guided by the Code and takes into account factors such as relationship with the Company, its related corporations, its substantial shareholders or its officers and whether these relationships interfere with his business judgements. The NC has reviewed the independence of Mr Goh Yeow Tin, Mr Yap Boh Pin and Mr Koh Boon Huat and is satisfied that there are no relationships which would deem any of them not to be independent.

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Pursuant to the Constitution of the Company, at least one third of the Directors must retire from office at an Annual General Meeting of the Company. All directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, a newly appointed director must retire from office and submit for re-election at the next following annual general meeting.

The NC ensures that any newly-appointed directors are aware of their duties and obligations as a director of the Company. When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a director of the Company. The list of listed company directorships and principal commitments of each director is set out under the "Board of Directors" section of this Annual Report.

For FY2019, the NC is of the view that Directors with multiple board representations and other principal commitments, have also ensured that sufficient time and attention are given to the affairs of each company. Accordingly, as the NC is of the view that the multiple board directorships and principal commitments do not impede their respective performance in carrying out their duties towards the Company, the Board, with the concurrence of the NC, has not fixed the maximum number of listed company board representations and other principal commitments which any Director may hold. It will do so when deemed necessary.

The search and nomination process for new Directors, if any, will be conducted in the following manner:

(a) identify the competencies required to enable the Board to fulfil its responsibilities;

(b) seek external assistance, if the need arises, by approaching relevant institutions such as the Singapore Institute of Directors, search companies or via public advertisements to search for suitable candidates. The search for suitable candidates could also be drawn from the contacts and network of the existing Directors and senior management;

(c) conduct formal interviews of short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them; and

(d) make recommendations to the Board for approval.

When considering the re-nomination of a Director for re-election, the NC will consider the Directors' overall contribution and performance (such as the time commitment by the Board members with multiple board representations, attendance, preparedness, participation and candour) with reference to the results of the assessment of the performance of the individual director by his peers. Upon review, the Directors are recommended to the Board for re-appointment.

Each member of the NC shall abstain from deliberations and voting on any resolutions in respect of the assessment of his performance, appointment or re-appointment as a Director.

The following Directors will stand for re-election at the forthcoming Annual General Meeting:

Mr Lim Siau Hing @ Lim Kim Hoe
Mr Goh Yeow Tin

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The requirements under Rule 720(5) of the Catalist Rules are stipulated in the table below and to be read in connection with their respective profiles set out under the "Board of Directors" section of this Annual Report:

	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
Date of Appointment	18 February 2019	1 October 2007
Date of last re-appointment	29 April 2019	18 February 2019
Age	73	69
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution, qualification, work experience and suitability of Mr Lim Siau Hing @ Lim Kim Hoe for re-appointment as Director of the Company. The Board have reviewed and concluded that Mr Lim Siau Hing @ Lim Kim Hoe possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	Mr Goh Yeow Tin has substantial business and commercial experience and substantial understanding of the role of, and experience in acting, as independent directors, having been appointed as independent directors of a number of SGX-ST listed companies over the years. The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Goh Yeow Tin for re-appointment as Non-Executive and Lead Independent Director of the Company. The Board have reviewed and concluded that Mr Goh Yeow Tin will be able to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at Board and Board committee meetings.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Non-Executive and Lead Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.
Professional qualifications	Mr Lim Siau Hing @ Mr Lim Kim Hoe graduated from Feng Jia College, Taiwan with a diploma in textile engineering in July 1969.	Mr Goh Yeow Tin holds a Bachelor Degree in Mechanical Engineering (Hons) and a Masters Degree in Industrial Engineering and Management.
Working experience and occupation(s) during the past 10 years	Knit Textiles Mfg. Sdn. Bhd. (1988 – Present) – Managing Director	2012 to Present: Provision of advisory services to Seacare Foundation Pte Ltd 2001 to 2011: Chief Executive Officer of Sino-Sing Center Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 51,500,000 ordinary shares Indirect Interest: 85,000,000 ordinary shares Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Mr Lim Siau Hing @ Lim Kim Hoe is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Mr Lim Siau Hing @ Lim Kim Hoe is a beneficiary.	Direct Interest: 503,857 ordinary shares

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Lim Siau Hing @ Lim Kim Hoe is the father of Mr Lim Vhe Kai and Ms Lim Sin Jet.	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)		1) Linknet Asia Pte Ltd 2) OEL (Holdings) Limited 3) Singapore Post Limited
Present	1) Callisto Apparel Holdings Pte. Ltd. 2) Knit Textile Corporation Pte. Ltd. 3) Knit Textile Holdings Sdn. Bhd. 4) Knit Textiles Mfg. Sdn. Bhd. 5) Moon Apparel Holdings Pte. Ltd. 6) Knit Textile & Apparel Pte. Ltd. 7) Knit Textile Integrated Industries Sdn. Bhd. (formerly known as Ocean Art & Embellishment Sdn. Bhd.)	1) Sheng Siong Group Ltd. 2) AsiaPhos Limited 3) Vicom Ltd. 4) TLV Holdings Limited 5) Edu Community Pte. Ltd. 6) Kiran Electronic B & C Services Pte. Ltd. 8) Seacare Foundation Pte Ltd 9) Seacare Manpower Services Pte Ltd 10) Seacare Medical Holdings Pte Ltd 11) Watertech Pte. Ltd.

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

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	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere		
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

	MR LIM SIAU HING @ LIM KIM HOE	MR GOH YEOW TIN
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC is responsible for assessing the effectiveness of the Board as a whole and its Board Committees, as well as the contribution of each individual director to the effectiveness of the Board. In respect of which, the NC has adopted guidelines for a formal annual assessment has established a review process and proposed performance criteria set out in assessment checklists which are approved by the Board.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the Board and its Board committees' evaluations were in respect of size and composition, processes, information, performance, meeting attendance, participation and contributions of the Board and its Board committees in relation to discharging its principal functions and responsibilities and targets. The results of the assessment checklists are collated by the Company Secretary and presented to the NC for review, before submission to the Board. These performance criteria used has been approved by the Board, and will not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the Board will then justify the decision for such change.

The Board, together with the NC, reviews each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board Committees and the Board are undertaken on a continuous basis by the NC with inputs from the various Board members.

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Based on the above review, the NC is satisfied that the Board, as a whole, and its Board Committees, has been effective, and that each Director has contributed sufficiently to the effective functioning of the Board.

The Chairman of the NC will also take into consideration the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board, or seek the resignation of directors.

No external facilitators were used in the performance assessment for FY2019.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises entirely of Non-Executive Directors, all of whom, including the Chairman of the RC, are independent:–

Mr Koh Boon Huat	(Chairman of RC and Non-Executive & Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive & Lead Independent Director)
Mr Yap Boh Pin	(Member and Non-Executive & Independent Director)

The RC's key terms of reference, describing its responsibilities, include:–

(a) To review and recommend to the Board all matters relating to the specific remuneration packages, including but not limited to directors' fees, salaries, allowances, bonuses and benefits-in-kind, of the Directors and key management personnel as well as to ensure the termination terms are fair;

(b) To review and make recommendations to the Board on the implementation of any appropriate long term incentive schemes for the Directors and employees of the Group;

(c) To review remuneration of all managerial staff that are related to any of the Directors, the CEO and any substantial shareholder of the Company;

(d) To review and recommend the remuneration framework, as well as the terms of employment of the Executive Directors and key management personnel, and to ensure that the level and structure of their remuneration should be aligned with the long-term interest and risk policies of the Company;

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(e) To structure a significant and appropriate proportion of executive directors' and key management personnel's remuneration so as to link rewards to corporate and individual performances. Such remuneration should also be aligned with the interests of shareholders and promote the long-term success of the Company; and

(f) To review and ensure that the remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors and they should not be over-compensated to the extent that their independence may be compromised.

The RC is responsible for ensuring a formal and transparent procedure for developing an appropriate executive remuneration policy and a competitive framework. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The RC has recommended to the Board a framework of remuneration which covers various aspects of remuneration, including, but not limited to, salaries, allowances, bonuses, and benefits-in-kind, and the specific remuneration packages for each Executive Director and key management personnel in order to retain and motivate each of them to run the business and operations successfully.

The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in the reviewing, deliberating or voting on any resolutions in respect of his own remuneration package or that of any employees who are related to him. External remuneration consultant's advice will be sought, where necessary, when a major remuneration review is conducted. For FY2019, no external remuneration consultant was appointed.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In recommending a remuneration framework, the RC takes into account the performance of the Group as well as the Directors and key management personnel, aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks, to promote the long-term success of the Group.

Accordingly, the remuneration package of the Executive Directors and key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

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The remunerations of the Non-Executive and Independent Directors are set out in accordance with a framework comprising a basic directors' fees, in addition to Board Committees' fees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. The Company believes that the current remuneration of the Independent Directors is at a level that will not compromise the independence of the Directors. Directors' fees are paid subject to approval of shareholders at each Annual General Meeting.

There are no contractual provisions to allow the Company to reclaim incentive components of remunerations from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

As part of the RTO transaction, the Company entered into separate service agreements (the "**Service Agreements**") with Mr Lim Siau Hing and Mr Lim Vhe Kai as the Executive Chairman, and Executive Director and CEO of the Company respectively. The Service Agreements were established for an initial period of three (3) years and upon the expiry of such period, the employment of Mr Lim Siau Hing and Mr Lim Vhe Kai shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree, provided any variation of the terms shall be subject to the approval of the RC and the Board.

The remuneration of the Executive Directors includes, among others, a fixed salary, a fixed annual bonus of three (3) months' salary and an annual variable performance bonus determined on an annual profit sharing basis, which is intended to spur the Executive Directors on to further optimise their performance and efficiency and to reward them for their significant contributions to the Group. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Directors. Further details of the Service Agreements are set out under Principle 8 of this Report.

The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors to provide good stewardship of the Group and key management personnel to successfully manage the Group for the long term.

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Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Details of the remuneration of the Directors and Key Management Personnel of the Group for FY2019 are set out below:

	Breakdown of Remuneration in Percentage (%)					
Directors	**Fees**	**Salary**	**Benefits-in-kind**	**Variable bonus**	**Total**	
	%	%	%	%	%	
Goh Yeow Tin	100	–	–	–	100	Band A
Yap Boh Pin	100	–	–	–	100	Band A
Koh Boon Huat	100	–	–	–	100	Band A
Lim Siau Hing @ Lim Kim Hoe	–	80.9	1.0	18.1	100	Band D
Lim Vhe Kai	–	79.5	2.7	17.8	100	Band C

	Breakdown of Remuneration in Percentage (%)					
Key Management	**Designation**	**Salary**	**Benefits-in-kind**	**Variable bonus**	**Total**	
		%	%	%	%	
Chew Chong Kiat	Chief Operating Officer	84.7	2.7	12.6	100	Band B
Low Yong Heng	Financial Controller	100	–	–	100	Band A

Band A: Compensation from S$100,000 and below per annum
Band B: Compensation between S$100,001 and S$200,000 per annum
Band C: Compensation between S$200,001 and S$300,000 per annum
Band D: Compensation between S$300,001 and S$400,000 per annum

The aggregate amount of the total remuneration paid to the Key Management Personnel (who are not Directors or CEO) is S$164,050 in FY2019. For FY2019, there are only two Key Management Personnel of the Group, excluding the Executive Chairman and the CEO.

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Provision 8.1 stipulates that the Company should disclose the names, amounts and breakdown of remuneration of each individual director and the CEO. However, to maintain confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company to keep the disclosure of remuneration of each individual Director and Key Management Personnel in salary bands.

Save as disclosed, there are no termination, retirement and post-employment benefits that may be granted to the Directors and key management personnel.

Ms Lim Sin Jet, who is the daughter of the Executive Chairman, Mr Lim Siau Hing @ Lim Kim Hoe and sister of the CEO, Mr Lim Vhe Kai, holds the position of Corporate Communications Manager of the Company, with a remuneration band of below S$100,000. The RC is of the view that her remuneration is in line with Company's staff remuneration guidelines and commensurate with her job scopes and level of responsibilities.

Save for which, there are no full-time employees who are substantial shareholders, or are immediate family members of the Directors, the CEO or substantial shareholders, and whose remuneration exceeds S$100,000 during FY2019.

The remuneration package for the Executive Directors are based on terms stipulated in their Service Agreements. Mr Lim Siau Hing and Mr Lim Vhe Kai are entitled to monthly salary of RM75,000 and RM60,000 respectively. The remuneration package of Mr Lim Siau Hing @ Lim Kim Hoe and Mr. Lim Vhe Kai includes an annual profit-sharing scheme that is performance related to align the interests with those of the shareholders. The amount of annual variable bonus will calculated based on the Group's profit before tax ("**PBT**") and determined as follows:

PBT	Amount of variable bonus
Where PBT does not exceed RM7.0 million	Nil
Where PBT exceeds RM7.0 million but does not exceed RM10.0 million	3.0% of the PBT
Where PBT exceeds RM10.0 million but does not exceed RM13.0 million	3.5% of the PBT
Where PBT exceeds RM13.0 million	4.0% of the PBT

Pursuant to the Service Agreements, the Executive Directors will be provided a private vehicle in Malaysia and the Company shall be responsible for all road taxes and expenses incurred in respect of such car, including petrol, insurance, maintenance, operating and repair expenses. All travelling, accommodation, meals, entertainment expenses, mobile phone and other out-of-pocket expenses reasonably incurred by the Executive Directors in the proper performance of their duties will be borne by the Company.

The Company has adopted a remuneration policy for staff comprising a fixed (basic salary) and variable (bonus) components. The variable component is linked to the performance of the Company and individual. RC has also reviewed the remuneration packages of employees who are related to directors, substantial shareholders or Management, and make comparison with those of their peers to ensure that they are treated fairly and without undue favouritism.

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ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for presenting a balanced and understandable assessment of the Company's performance, position and prospects. The Company is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with the statutory requirements and the Catalist Rules.

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis so that it may effectively discharge its duties.

The Management provides the Board members with the Company's financial results at each half yearly Board meeting, as well as relevant updates, background information and documents relating to the items of business to be discussed at each Board meeting, such as copies of disclosure documents, budgets, forecasts, before the scheduled meeting.

The Board is also provided with such financial information, updates and explanations to safeguard the Company's utilisation of cash and make informed decisions on a regular basis.

Risk Management and Internal Controls

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities. The Board has ensured that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interest while also overseeing management in the area of risk management and internal controls. Notwithstanding the aforesaid, procedures are in place to identify major business risks and evaluate potential financial effects.

In addition, the AC reviews and evaluates annually the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management. The AC and Board is responsible for the Group's risk management and internal controls system, including financial, operational, compliance and information technology controls.

The external auditors carry out, in the course of their statutory audit, an annual review of the effectiveness of the Company's material internal controls to the extent laid out in their audit plan. Material internal control weaknesses noted during their audit (if any) and the auditors' recommendations are reported to the Board and the AC. Steps are taken to rectify any weaknesses reported.

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In view of the above and based on the internal controls established and maintained by the Group, work performed by the internal auditors, statutory audits conducted by the external auditors and reviews performed and assurance by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls in place are adequate and effective to provide reasonable assurance of achieving its internal control objectives and to address the Company's financial, operational, compliance and information technology risks, and risk management systems.

Taking into consideration the current operations of the Group and the size and composition of the Board, the Board collectively oversees risk management and does not have a separate risk committee.

The Board has also received assurance from Mr Lim Vhe Kai, the CEO, and Mr Low Yong Heng, the Financial Controller that:–

(a) 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

(b) that the Group's risk management and internal control systems are effective and adequate.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises three (3) members, all of whom are Non-Executive and Independent Directors:–

Mr Yap Boh Pin	(Chairman of AC and Non-Executive and Independent Director)
Mr Koh Boon Huat	(Member and Non-Executive and Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive and Lead Independent Director)

The members of the AC have many years of experience in business management and financial services. The Chairman of the AC is a very experienced and qualified accountant and the other members have significant experience in financial management. As such, the Board views all members of the AC to have recent and relevant accounting or related financial management expertise and experience to discharge their responsibilities properly.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and the full discretion to invite any Director or executive officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The AC's scope of work is governed by written terms of reference. Specifically, the AC meets, at least half-yearly, on a periodic basis, or as and when appropriate, to perform the following functions:

(a) Review the interim financial results and annual financial statements and the external auditors' report on the annual financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgments, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management to ensure the integrity of the financial statements of the Group and any announcements relating to the financial performance, where necessary, before submission to the Board for approval;

(b) reviewing the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriate follow-up action to be taken;

(c) Review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) Review the assurance from the CEO and the Financial Controller on the financial records and financial statements;

(e) Reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

(f) Assist the Board of Directors in the identification and monitoring of areas of significant business risks with the help of internal and external auditors;

(g) Review the effectiveness of the financial and accounting control systems and management of financial and business risks;

(h) Review and approve the Group's transfer pricing policy and hedging policy (if any), and conduct periodic reviews of the transfer pricing policy and hedging policy, together with the foreign exchange transactions and hedging activities undertaken by the Group;

(i) Review compliance with the Catalist Rules and the Code of Corporate Governance;

(j) Review with the external and internal auditors their respective audit plans, reports and their evaluation of the adequacy and effectiveness of the Group's system of risk management and internal controls;

(k) Making recommendations on the appointment and removal of external auditors and to review the level of audit fees and terms of engagement of the external auditors;

(l) Review the independence of the Company's external and internal auditors on an annual basis;

(m) Review the adequacy, effectiveness, scope and results of the external audit, and the Company's internal audit function; and

(n) Review interested person transactions in accordance with the requirements of the Catalist Rules.

The AC has reviewed and is satisfied with the level of co-operation rendered by Management to the external auditors. The AC is also of the view that the scope of audit, experience levels of staff and quality of the audits are adequate. The AC also convenes a meeting with the external auditors and internal auditors without the presence of Management to discuss matters relating to the audits, at least on an annual basis.

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Key Audit Matters

In its review of the financial statements of the Group for FY2019, the AC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements. The AC also met with the external auditors to discuss the audit findings as well as their audit. During the audit of the financial statements for FY2019, two key audit matters ("**KAM**") were reported by the external auditors and is set out on page 56 to 58 of this Annual Report, being (i) accounting for reverse acquisition, and (ii) allowance for doubtful trade receivables. The AC had reviewed the KAM and concurred and agreed with the external auditor and management on their assessment, judgements and estimates on the significant matters reported by the external auditor. Taking into consideration, inter alia, the approach and methodology used, the AC is of the view that the key audit matters have been properly dealt with.

The AC conducts reviews of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the auditors. The fees paid to the External Auditors of the Group for statutory audit services were S$68,921 in respect of FY2019. During the year, there was no non-audit fee paid to the External Auditors.

The AC has recommended that Foo Kon Tan LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting. In recommending the re-appointment of the auditors, the AC considered and reviewed a number of key factors, including amongst other things, adequacy of the resources and experience of supervisory and professional staff as well as the audit engagement partner to be assigned to the audit, the size and complexity of the Group and its businesses and operations.

Where the external auditors raise any significant issues (e.g. adjustments) which has a material impact on the interim financial statement or financial updates previously announced by the Company, the AC will bring this to the Board's attention, and the Board will then consider whether an immediate announcement under Rule 703 of the Catalist Rules is required. The AC will also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates.

No former partner or director of Company's existing auditing firm, Foo Kon Tan LLP, has acted as a member of the Company's AC: (a) within a period of 2 years commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for so long as he has any financial interest in the auditing firm or auditing corporation.

The Group has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointment of Foo Kon Tan LLP as the auditors of the Company and its significant subsidiary.

The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes. The Company has appointed Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**") as the internal auditor to review the internal control processes of the Group. Nexia TS is a company of Nexia TS Public Accounting Corporation, which is recognised as an established mid-tier accounting firm for more than 25 years. Nexia TS possesses vast experience in providing internal audits, risk management services and advisory services in the region. The current engagement team assigned comprises of 3 members and is led by Ms Pamela Chen who has more than 13 years performing audits for listed companies. The primary reporting line of the internal auditors is to the AC. The AC also decides on the appointment, termination and remuneration of the internal auditors.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and

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monitoring of the implementation of improvements required on internal control weaknesses identified. The internal auditors carry out their work in accordance with International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company. Accordingly, the AC is of view that the internal auditors are independent, effective and adequately resourced.

The Company has put in place arrangements for a whistle-blowing framework by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC. Such whistle-blowing policy is publicly disclosed on the Company's website, and clearly communicated to employees of the existence of a whistle-blowing policy and procedures for raising such concerns. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports will be addressed to the AC Members through designated email addresses.

Through briefings and advices given by the external auditors, the AC and Management are always kept abreast of changes to accounting standards and issues which have a direct impact on financial statements.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

It is the Group's intention to ensure that all shareholders are treated fairly and equitably to ensure their ownership rights are met. Timely and transparent disclosures are made to ensure all shareholders are informed of any changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.

The Company's annual general meetings are the principal forum for dialogue with shareholders and to understand the views of the shareholders and also for the shareholders to ask the Board questions regarding the Company. Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings, where they are given the opportunity to attend and participate effectively in and vote at general meetings. Notice of such meetings will be advertised in newspapers and announced on SGXNET.

The rules, including voting procedures, that govern general meetings of shareholders are also clearly communicated to the shareholders. Separate resolutions on each substantially separate issue are tabled at general meetings, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting.

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The Company conducts voting by poll and makes announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages. At present, the Company does not conduct voting by electronic polling as shareholders turn-out at AGM has been manageable.

Currently, the Constitution of the Company allows a member of the Company to appoint up to two (2) proxies to attend and vote at general meetings. Pursuant to Section 181 of the Companies Act, a member of the Company who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act. Provision 11.4 of the Code states that the Company's Constitution should allow for absentia voting at general meetings of shareholders. However, the Company is not implementing absentia-voting methods such as by mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

At general meetings, shareholders of the Company will be given the opportunity to present their views and to put questions regarding the Group to Directors and Management. All Directors and Management will be present at these meetings to address any questions that shareholders may have. The external auditors will also be present to assist the Board in addressing queries by shareholders relating to audit matters.

Minutes of general meetings, including substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board or the Management, will be available published on its corporate website as soon as practicable.

The Company also ensures that timely and adequate disclosures of information on matters of material impact or significance relating to the Group are made to shareholders of the Company through SGXNET and other information channels, in compliance with the requirements set out in the Catalist Rules, with particular reference to the Corporate Disclosure Policy set out therein. The Company does not practice selective disclosure and all material and price are trade sensitive information are publicly released via SGXNET either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

All half yearly and full year results announcements, annual reports, dividend declaration and notices of book closure are announced via SGXNET or issued within the prescribed period under the Catalist Rules.

The Board notes that Provision 11.6 of the Code sets out that the company should have a dividend policy and communicates it to shareholders. However, in line with the Group's strategy of maintaining a strong balance sheet with sufficient resources for future investment purposes, for long-term and sustainable growth, the Group does not presently have a prescribed dividend policy. Nonetheless, the Company is of the view that the following disclosure would constitute a balanced and understandable assessment of its position on a dividend policy, and such practice is consistent with the intent of Principle 11 of the Code. Additionally, the Company also discloses the reasons for the decision of the Board to not declare or recommend a dividend, together with the announcement of the financial statements, which is in line with Rule 704(23) of the Catalist Rules.

No dividend was recommended and paid for the financial year ended 31 December 2019 as the Group is focusing on conserving cash to strengthen its financial position and to cater for the working capital of the newly operating Textile Manufacturing Facility.

STATEMENT OF **CORPORATE GOVERNANCE**
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The Company has appointed Ms Lim Sin Jet, the daughter of Mr Lim Siau Hing (Executive Chairman) and sister of Mr Lim Vhe Kai (Executive Director and Chief Executive Officer) as Corporate Communications Manager of the Company, to support the Group in facilitating communications with shareholders.

In order to allow for an ongoing exchange of views, and to actively engage and promote regular, effective and fair communication with shareholders, the Company has listed a designated email address, ir@ktmg.sg, on the 'Investor Relations' page of its corporate website, www.ktmg.sg. Through this email address, shareholders may directly engage the Company's corporate communications team, which is headed by Ms Lim Sin Jet, with enquiries. Through which, the corporate communications team may also respond to such questions.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served. The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Please refer to the "Sustainability Report" section of this Report for more details.

The Company takes its corporate social responsibility seriously and it is not involved nor does it have any legal violation pertaining to labour, employment, consumer, insolvency, commercial, competition or environmental issues.

The Company maintains a corporate website at https://www.ktmg.sg to communicate and engage with stakeholders.

DEALING IN SECURITIES

The Company has internal compliance policies to provide guidance to its officers with regard to dealing in its securities. Officers are advised not to deal in the Company's securities on short-term considerations.

The Company has established an internal policy to inform its directors and employees not to deal in the Company's shares whilst they are in possession of unpublished material price sensitive information and also during the period commencing one (1) month prior to the announcement of the Group's half-yearly and full year results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.

STATEMENT OF **CORPORATE GOVERNANCE**

FY 31 DECEMBER 2019

INTERESTED PERSON TRANSACTIONS

The Group has not obtained a shareholder's mandate pursuant to Rule 920 of the Catalist Rules of the SGX-ST. There were no interested person transactions conducted during FY2019 which exceeds S$100,000 in value.

MATERIAL CONTRACTS

Save for the Service Agreements entered into between the Executive Directors and the Company, there were no other material contracts entered into by the Company or its subsidiaries, involving the interests of the CEO or any director or controlling shareholder either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

SUSTAINABILITY REPORT

In respect of the Sustainability Report, the Company has initiated the process internally. The Company is in the midst of drafting the sustainability practices by, inter alia, identifying and assessing the material environmental, social and governance factors by taking into consideration their relevance to the business, strategy, business model and key stakeholders. The Company may, if necessary, consider engaging such external parties to assist in preparing the Sustainability Report.

As the Company had completed its reverse takeover transaction in February 2019, the Company will issue its first Sustainability Report for the first full financial year of listing, being the financial year ending 31 December 2020, by 31 December 2021.

NON-SPONSORSHIP FEES

There was a total of S$100,000 paid to the Company's Sponsor, SAC Capital Private Limited for FY2019, for acting as the financial advisor in relation to the reverse takeover transaction.

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors submit this statement to the members together with the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2019.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and the Company 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 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended 31 December 2019 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

The directors of the Company in office at the date of this report are:

Lim Siau Hing @ Lim Kim Hoe (appointed on 18 February 2019)
Lim Vhe Kai (appointed on 18 February 2019)
Koh Boon Huat (appointed on 18 February 2019)
Goh Yeow Tin
Yap Boh Pin

Directors' interest in shares, debentures, warrants or options

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares, debentures, warrants or options of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
	As at 1.1.2019/ date of appointment, if later*	As at 31.12.2019*	As at 21.1.2020*	As at 1.1.2019/ date of appointment, if later*	As at 31.12.2019*	As at 21.1.2020*
The Company – KTMG Limited						
Lim Siau Hing @ Lim Kim Hoe	51,500,000	51,500,000	51,500,000	85,000,000	85,000,000	85,000,000
Lim Vhe Kai	–	–	–	85,000,000	85,000,000	85,000,000
Goh Yeow Tin	3,857	303,857	303,857	–	–	–
Yap Boh Pin	7,262	207,262	207,262	–	–	–

* On 29 January 2019, the Company completed the share consolidation of 20 existing issued ordinary shares into 1 ordinary share and adjustments have been made to reflect the adjusted number of shares.

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Directors' interest in shares, debentures, warrants or options (Cont'd)

By virtue of Section 7 of the Act, Mr. Lim Siau Hing @ Lim Kim Hoe and Mr. Lim Vhe Kai are deemed to have interests in the shares of the Company held by Wyandotte Capital Limited, as the entire issued and paid-up share capital of Wyandotte Capital Limited is held by a family trust of which Mr. Lim Siau Hing @ Lim Kim Hoe and Mr. Lim Vhe Kai are beneficiaries of. Mr. Lim Siau Hing @ Lim Kim Hoe and Mr. Lim Vhe Kai, by virtue of their interests of not less than 20% of the issued share capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or related corporations, either at the beginning or at the end of the financial year.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Yap Boh Pin (Chairman)
Goh Yeow Tin
Koh Boon Huat

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**") and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact to the financial statements, related compliance policies and programmes and any reports received from regulators;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Audit Committee (Cont'd)

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate;

(xi) reviewed with the Board of Directors and management the possible risks or exposures that may exist and identifying the necessary steps to take in order to minimise such risks to the Company; and

(xii) interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are provided in the Statement of Corporate Governance.

In appointing auditors of the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the directors

LIM SIAU HING @ LIM KIM HOE

LIM VHE KAI
Dated: 14 May 2020

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KTMG Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the 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 of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). 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.

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 year. 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.

Accounting for Reverse Acquisition

On 18 February 2019, the Company completed its acquisition of the entire share capital of Knit Textile and Apparel Pte. Ltd. ("KTAPL") and its subsidiaries (collectively "KTAPL Group") by issuing 136.5 million new ordinary shares at S$0.20 in the Company to the shareholder of KTAPL (the "Transaction"). The acquisition of KTAPL was treated as a reverse acquisition or reverse takeover ("RTO") for accounting purpose as the shareholder of KTAPL (the "Vendor") becomes the controlling shareholder of the Company upon completion of the acquisition. Accordingly, KTAPL, being the legal subsidiary in the Transaction, is regarded as the accounting acquirer; and the Company, being the legal parent in the Transaction, is regarded as the accounting acquiree.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

Key Audit Matters (Cont'd)

Accounting for Reverse Acquisition (Cont'd)

KTAPL is deemed to have issued equity shares as purchase consideration for the assets and liabilities of the Company using the accounting principles of SFRS(I) 2 Share-based Payment, as the Company is a cash company pursuant to Rule 1017 of the Catalist Rules since 17 August 2015 and does not constitute a business under SFRS(I) 3 Business Combinations. Given the significant judgement involved in identifying the accounting acquiree and acquirer, the quantum of the Transaction and the complexity of the accounting and disclosure, we have focused on this transaction in the following areas:

(a) The accounting of transaction cost shares amounting to $2.0 million issued to the Vendor as full and final settlement on the Transaction-related professional fees incurred, (ii) consideration shares issued to an unrelated advisor amounting to $1.1 million for the provision of services to the Vendor in respect of the Transaction; and (iii) the quantification of the deemed consideration paid to the Company's shareholders by KTAPL of approximately $1.47 million; and

(b) The disclosure of RTO in the financial statements is not common, especially the disclosures on the statement of changes in equity and comparative numbers in the consolidated financial statements are that of KTAPL Group while the legal shareholding relates to the Company.

Our response and work performed:

As part of our audit procedures on the accounting for RTO, we have obtained the signed sale and purchase agreement ("S&P Agreement") and reviewed the significant terms in the S&P Agreement to obtain an understanding of the Transaction. We assessed management's basis to account for the Transaction as a reverse acquisition based on the applicable accounting standards, which includes the identification of the accounting acquiree and acquirer, the determination of the fair value of the deemed consideration paid to the Company's shareholders and the accounting treatments of the (i) consideration shares issued to an unrelated advisor for the provision of services to the Vendor; and (ii) the transaction costs incurred by the Vendor on the Transaction-related professional fees incurred.

We have evaluated the methodology and checked the accuracy of the calculation of the transaction costs and the fair value of the deemed consideration paid to the Company's shareholders. We have also compared the underlying inputs, including the share price of the Company to independent data source for the calculation of the deemed consideration. We have also evaluated whether the Group's disclosures in respect of the reverse acquisition as disclosed in Notes 3(a), 3(b), 10 and 11 were reasonable and reflected the transaction terms.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

Key Audit Matters (Cont'd)

Allowance for doubtful trade receivables

The Group's trade receivables as at 31 December 2019 amounted to $14.1 million, representing 28% of the Group's total assets. The Group's financial position and profitability are dependent on the creditworthiness of the customers and their ability to settle payment in a timely manner. The economic slowdown and uncertainties in the global economic environment create a higher inherent risk relating to credit default. As described in the notes to the financial statements, the impairment losses have been determined in accordance with SFRS(I) 9 Financial Instruments. This is considered a key audit matter due to the amounts involved as well as the inherent subjectivity that was involved in making judgement by the management in relation to assumptions used in the expected credit loss ("ECL") model such as forward-looking macroeconomic factors.

Our response and work performed:

As part of our audit, we assessed the Group's processes and key controls relating to the monitoring of trade receivables including the process in determining whether a debtor is credit impaired and the Group's processes in collating the key data sources and assumptions for data used in the ECL model. We reviewed the key data sources and assumptions for data used in the determination of default rate and the correlation between the default rate and the current and forward-looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks. We obtained trade receivable confirmations and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the balance sheet date. We also considered the disclosures in the financial statements about the extent of estimation and judgement involved in determining allowance for doubtful debts.

Disclosure of the pertinent information has also been set out in Notes 8 and 24 to the financial statements respectively.

Other Matter

The consolidated financial statements of the Group for the financial year ended 31 December 2018 ("comparative numbers") are that of Knit Textile and Apparel Pte. Ltd. ("KTAPL") and its subsidiary corporations which were presented using merger accounting as KTAPL and its subsidiary corporations were considered to be under common control of the Vendor before and after the internal restructuring which was completed on 24 January 2019 (refer to Notes 3(a) and (3b)).

Management is responsible for the preparation of the comparative numbers that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

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 SFRS(I)s, 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 and the Company'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 and the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company's financial reporting processes.

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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

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

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.

- 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 Company'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 and the Company'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 or the Company 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KTMG LIMITED

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

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 year 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.

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 Kong Chih Hsiang Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
14 May 2020

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	The Group 31 December 2019 $'000	The Group 31 December 2018 $'000 (unaudited)	The Company 31 December 2019 $'000	The Company 31 December 2018 $'000
ASSETS					
Non-current Assets					
Property, plant and equipment	4	**15,718**	17,243	**–**	–
Right-of-use assets	5	**3,724**	–	**–**	–
Subsidiaries	6	**–**	–	**26,400**	–
Deferred tax assets	14	**295**	206	**–**	–
		19,737	17,449	**26,400**	–
Current Assets					
Inventories	7	**9,812**	11,103	**–**	–
Trade and other receivables	8	**15,924**	22,120	**59**	23
Tax recoverable		**664**	447	**–**	–
Cash and cash equivalents	9	**3,360**	4,912	**13**	12
		29,760	38,582	**72**	35
Total assets		**49,497**	56,031	**26,472**	35
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	10	**33,201**	4,865	**33,201**	36,827
Reserves	11	**(17,820)**	9,981	**(7,256)**	(43,099)
Total equity		**15,381**	14,846	**25,945**	(6,272)
LIABILITIES					
Non-current liabilities					
Borrowings	12	**3,375**	5,206	**–**	–
Lease liabilities	13	**1,786**	–	**–**	–
Deferred tax liabilities	14	**188**	461	**–**	–
		5,349	5,667	**–**	–
Current Liabilities					
Borrowings	12	**13,326**	14,232	**–**	–
Lease liabilities	13	**482**	–	**–**	–
Trade and other payables	15	**14,959**	21,286	**527**	6,307
		28,767	35,518	**527**	6,307
Total liabilities		**34,116**	41,185	**527**	6,307
Total equity and liabilities		**49,497**	56,031	**26,472**	35

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Group	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000 (unaudited)
Revenue	16	**87,571**	102,583
Cost of sales		**(74,086)**	(91,336)
Gross profit		**13,485**	11,247
Other income		**221**	162
Administrative and general expenses		**(9,441)**	(5,467)
Selling and marketing expenses		**(5,071)**	(3,547)
Finance costs	17	**(930)**	(660)
(Loss)/profit before taxation	18	**(1,736)**	1,735
Taxation	19	**(167)**	(138)
(Loss)/profit for the year attributable to owners of the Company		**(1,903)**	1,597
Other comprehensive loss after tax:			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences		**(125)**	190
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(2,028)**	1,787
(Loss)/profit per share (cents)			
– Basic/diluted (loss)/profit per share	20	**(1.12)**	0.94

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	**Capital reserve $'000**	**Merger reserve $'000**	**Translation reserve $'000**	**Retained earnings $'000**	**Total equity $'000**
At 1 January 2018 (unaudited)	4,865	–	–	34	8,160	13,026
Profit for the year	–	–	–	–	1,597	1,597
Other comprehensive income	–	–	–	190	–	190
Total comprehensive income for the year	–	–	–	190	1,597	1,787
At 31 December 2018 (unaudited)	4,865	–	–	224	9,757	14,846
Loss for the year	**-**	**-**	**-**	**-**	**(1,903)**	**(1,903)**
Other comprehensive loss	**-**	**-**	**-**	**(125)**	**-**	**(125)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(125)**	**(1,903)**	**(2,028)**
Transactions with owners, recognised directly in equity:						
Contributions to and distributions to owners of the Company:						
Effects of restructuring	**31,962**	**-**	**(20,106)**	**-**	**(43,064)**	**(31,208)**
Issue of shares pursuant to the completion of the RTO	**33,200**	**571**	**-**	**-**	**-**	**33,771**
Capital reduction	**(36,826)**	**-**	**-**	**-**	**36,826**	**-**
Balance at 31 December 2019	**33,201**	**571**	**(20,106)**	**99**	**1,616**	**15,381**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000 (unaudited)
Cash Flows from Operating Activities			
(Loss)/profit before taxation		**(1,736)**	1,735
Adjustments for:			
Acquisition costs arising from the RTO	18	**1,429**	–
Transaction costs arising from the RTO	18	**1,100**	–
Depreciation of property, plant and equipment	4	**1,433**	1,357
Depreciation of right-of-use assets	5	**587**	–
Gain on disposal of property, plant and equipment		**(28)**	(19)
Impairment loss recognised on trade receivables, net	8	**431**	12
Interest expense	17	**930**	660
Interest income	18	**(47)**	(63)
Operating profit before working capital changes		**4,099**	3,682
Changes in trade and other receivables		**5,765**	(4,824)
Changes in inventories		**1,291**	(1,059)
Changes in trade and other payables		**(6,327)**	5,478
Cash generated from operations		**4,828**	3,277
Interest received		**47**	63
Income tax paid		**(746)**	(1,329)
Net cash generated from operating activities		**4,129**	2,011
Cash Flows from Investing Activities			
Cash and cash equivalents acquired on completion of the RTO	10	**12**	–
Purchase of property, plant and equipment		**(1,932)**	(3,275)
Proceeds from disposal of property, plant and equipment		**165**	33
Net cash used in investing activities		**(1,755)**	(3,242)
Cash Flows from Financing Activities			
Proceeds from term loans and other short-term loans		**72,046**	77,367
Repayment of term loans and other short-term loans		**(74,534)**	(74,394)
Repayment of lease liabilities (2018: finance lease liabilities)		**(523)**	(121)
Interest paid		**(930)**	(898)
Net cash (used in)/generated from financing activities	A	**(3,941)**	1,954
Net (decrease)/increase in cash and cash equivalents		**(1,567)**	723
Changes in pledged deposits		**(132)**	1,737
Effects of exchange rate changes on cash and cash equivalents		**15**	81
Cash and cash equivalents at beginning		**3,908**	1,367
Cash and cash equivalents at end	9	**2,224**	3,908

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Reconciliation of liabilities arising from financing activities excluding equity items:

	Borrowings $'000 (Note 12)	Lease liabilities $'000 (Note 13)	Total $'000
At 1 January 2018 (unaudited)	16,492	–	16,492
Cash flows from financing activities (Note A):			
– Proceeds from term loans	2,739	–	2,739
– Proceeds from other short-term loans	74,628	–	74,628
– Repayment of term loans	(1,773)	–	(1,773)
– Repayment of other short-term loans	(72,621)	–	(72,621)
– Repayment of finance lease liabilities	(121)	–	(121)
– Interest paid	(898)	–	(898)
	1,954	–	1,954
Non-cash changes:			
– New finance leases	94	–	94
– Interest expense	660	–	660
– Interest capitalised in property, plant and equipment	238	–	238
	992	–	992
At 31 December 2018 (unaudited)	19,438	–	19,438
Cash flows from financing activities (Note A):			
– Proceeds from term loans	**5,136**	**–**	**5,136**
– Proceeds from other short-term loans	**66,910**	**–**	**66,910**
– Repayment of term loans	**(6,280)**	**–**	**(6,280)**
– Repayment of other short-term loans	**(68,254)**	**–**	**(68,254)**
– Repayment of lease liabilities	**–**	**(523)**	**(523)**
– Interest paid	**(861)**	**(69)**	**(930)**
	(3,349)	**(592)**	**(3,941)**
Non-cash changes:			
– Adoption of SFRS(I) 16	**(249)**	**2,023**	**1,774**
– New leases acquired during the financial year	**–**	**768**	**768**
– Interest expense	**861**	**69**	**930**
	612	**2,860**	**3,472**
At 31 December 2019	**16,701**	**2,268**	**18,969**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

The financial statements of the Group and the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at 80 Robinson Road #02-00, Singapore 068898.

The principal place of business of the Group is located at No. 3A, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia.

The Group was formed pursuant to a reverse takeover ("RTO") by Knit Textile and Apparel Pte. Ltd. ("KTAPL") and subsidiaries (the "KTAPL Group") which was completed on 18 February 2019 with the issuance of 166 million new ordinary shares to the shareholders of the Company. (See Notes 10 and 3(a))

The principal activity of the Company is that of an investment holding company. The principle activities of the subsidiaries are set out in Note 6 to the financial statements.

2(A) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council ("ASC").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar which is the Company's functional currency. All financial information is presented in Singapore Dollar have been rounded to the nearest thousand, unless otherwise stated.

The accounting policies have been applied consistently to all years presented in these financial statements.

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, 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, actual results may differ from those estimates.

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 and in any future periods affected.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(A) BASIS OF PREPARATION (CONT'D)

Significant accounting estimates and judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements.

Significant judgement made in applying accounting policies

(i) Determination of functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. Determination of the functional currency involves significant judgement and other companies may make different judgements based on similar facts. Management reconsiders the functional currency if there is a change in the underlying transactions, events and conditions which determines its primary economic environment.

The determination of functional currency affects the carrying amount of the non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the statement of comprehensive income. It also impacts the exchange gains and losses included in the statement of comprehensive income.

(ii) Determination of the lease term of right-of-use assets (Note 5)

In determining the lease term of right-of-use assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of factory premises and motor vehicles, the following factors are normally the most relevant:

(a) If there are significant penalties to terminate (or not extend), the Group is typically reasonably to certain to extend (or not terminate);

(b) If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not to terminate);

(c) Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(A) BASIS OF PREPARATION (CONT'D)

Significant accounting estimates and judgement (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies

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. Management based its assumptions and estimate on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumption when they occur.

(i) Depreciation of property, plant and equipment (Note 4)

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be ranging from 5 years to 60 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A decrease/increase in the estimated useful lives of property, plant and equipment would increase/(decrease) depreciation expense by $0.2 million and $0.2 million, respectively.

(ii) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables is disclosed in Note 8.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(A) BASIS OF PREPARATION (CONT'D)

Significant accounting estimates and judgement (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

(iii) Estimation of the incremental borrowing rate ("IBR") (Notes 5 and 13)

For the purpose of calculating the right-of-use asset and its related lease liability, the Group applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as the Group's credit rating). The carrying amount of the Group's right-of-use asset and lease liability are disclosed in Notes 5 and 13 respectively. An increase/decrease of 100 basis points in the estimated IBR does not have a material impact on the Group's right-of-use assets and lease liabilities as at the balance sheet date.

(iv) Deferred tax effects on adoption of SFRS(I) 16 Leases

In the jurisdictions that the Group operates in, tax deductions are available only for those lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to the temporary differences on initial recognition of both the right-of-use asset and lease liability. Management has assessed the impact of deferred tax on adoption of SFRS(I)16 and concluded that it is not significant to the financial statements.

(v) Deferred tax assets (Note 14)

Deferred tax assets mainly relate to the timing differences between the actual claimable capital allowance in excess of the depreciation expense of the certain property, plant and equipment recorded in a wholly owned subsidiary of the Group in Malaysia which is loss-making. The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. Deferred tax assets are recognised to the extent that it is probable that future income will be available against which the temporary difference can be utilised. This involves judgement regarding future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Management has assessed that it is reasonable to recognise deferred tax assets based on probable future taxable income. The carrying amount of the Group's deferred tax assets is disclosed in Note 14. A decrease of 10% in the above timing differences will not materially affect the amount of deferred tax assets recognised at the balance sheet date.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(A) BASIS OF PREPARATION (CONT'D)

Significant accounting estimates and judgement (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

(vi) Income taxes (Note 19)

Significant judgement is involved in determining the provision for income tax. 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 provisions in the period in which such determination is made.

2(B) NEW STANDARDS/INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019

On 1 January 2019, the Group adopted the following SFRS(I) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective SFRS(I):

Reference	Description
SFRS(I) 16	*Leases*
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*

SFRS (I) 16 *Leases*

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected the transition to SFRS(I) 16 using the modified retrospective approach under which the amount of right-of-use assets recognised is equal to the lease liabilities as at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported under SFRS(I) 1-17 and related interpretations. The details of the changes in the accounting policies are disclosed below.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(B) NEW STANDARDS/INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 (CONT'D)

SFRS (I) 16 *Leases* (Cont'd)

Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for factory premises and motor vehicles, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in statement of comprehensive income over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in the statement of comprehensive income, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(B) NEW STANDARDS/INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 (CONT'D)

SFRS (I) 16 *Leases* (Cont'd)

(b) Lessee accounting (Cont'd)

Former operating leases (Cont'd)

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in the statement of comprehensive income on a straight-line basis.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the modified retrospective approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis for factory premises and motor vehicles, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application; and
- applies SFRS(I) 1-36 *Impairment of Assets* to perform an impairment review of the right-of-use asset.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the modified retrospective approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(B) NEW STANDARDS/INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 (CONT'D)

SFRS (I) 16 *Leases* (Cont'd)

(b) Lessee accounting (Cont'd)

Former finance leases

On 1 January 2019, with regards to the Group's leases of motor vehicles that were formerly classified as finance lease under SFRS(I) 1-17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance lease immediately before the date of initial application become respectively the opening balance of the carrying amounts of right-of-use assets and lease liabilities under SFRS(I) 16. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with SFRS(I) 16.

(c) Financial impact of initial application of SFRS(I) 16

The Group's weighted incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is 15%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows:

	$'000
Operating lease commitments as at 31 December 2018	2,105
(Less)/add effects of:	
Discounting based on the weighted average incremental borrowing rate	(331)
Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	249
Lease liabilities recognised on 1 January 2019	2,023

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(B) NEW STANDARDS/INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 (CONT'D)

SFRS (I) 16 *Leases* (Cont'd)

(c) Financial impact of initial application of SFRS(I) 16 (Cont'd)

The effects of adoption of SFRS(I)16 on the Group's financial statements as at 1 January 2019 are as follows:

The Group	**Increase/ (decrease) $'000**
Assets	
Property, plant and equipment (Note 4)	(1,782)
Right-of-use assets (Note 5)	3,556
	1,774
Liabilities	
Lease liabilities	2,023
Loans and borrowings	(249)
	1,774

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The Group has adopted SFRS(I) INT 23 for the first time in the current financial year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The interpretations require the Group and the Company to:

- determine whether uncertain tax positions are assessed separately or as a Group; and
- assess whether it is probable that a tax authority will accept on uncertain tax treatment used or planned to be used in its income tax filings as follows:
  - If yes, the Group and the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - If no, the Group and the Company should reflect the effect of uncertainty in determining its accounting tax position using either most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(C) STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Group and the Company has not adopted the new and revised SFRS(I), INT SFRS(I) and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8	*Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*	1 January 2020

SFRS(I) 1-1, SFRS(I) 1-8 *Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*

The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'materiality' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-8. In addition, the other SFRS(I) and the *Conceptual* Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

No material impact is expected on the Group's and the Company's financial statements on initial application.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Consolidation (Cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if, and only if, the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

NOTES TO THE **FINANCIAL STATEMENTS**

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2(D) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

Consolidation (Cont'd)

Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Reverse acquisition

The acquisition of the entire issued and paid-up share capital of KTAPL has been accounted for as a reverse acquisition as described in Note 3(b) and Note 10 respectively.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Buildings	50 years
Plant and machinery	10 years
Electrical installation	10 years
Office equipment and furniture and fittings	10 years
Motor vehicles	5 years
Renovations	50 years

Freehold land and assets under construction are not depreciated.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

Property, plant and equipment and depreciation (Cont'd)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before that expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Leases (from 1 January 2019)

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (from 1 January 2019) (Cont'd)

The Group as a lessee (Cont'd)

(a) Lease liabilities (Cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in the statement of comprehensive income in the periods that trigger those lease payments. For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the statement of comprehensive income if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (from 1 January 2019) (Cont'd)

The Group as a lessee (Cont'd)

(b) Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold land:	Over the remaining lease term of 60 years
Factory premises:	Over the lease term of 4 to 5 years
Motor vehicles:	Over the lease term of 4 to 5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Leases (before 1 January 2019)

The Group as a lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the statement of comprehensive income when incurred.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (before 1 January 2019) (Cont'd)

The Group as a lessee (Cont'd)

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and loans and borrowings respectively, at the inception of the lease, based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in the statement of comprehensive income on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Impairment of non-financial assets

As at each reporting date, the Group and the Company reviews the carrying amounts of its tangible and intangible 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 and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the 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 for which the estimates of future cash flows have not been adjusted.

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 the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets (Cont'd)

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 the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Financial instruments

Financial instruments carried on the statement of financial position include financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These are recognised on the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument. Disclosures of the Group's and the Company's financial risk management objectives and policies are provided in Note 24.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

– Financial assets at amortised cost (debt instruments);
– Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
– Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
– Financial assets at FVTPL

The Group and the Company do not hold any financial assets at FVOCI or financial assets at FVTPL.

Subsequent measurement of debt instruments depends on the Group's and the Company's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through amortisation process.

Financial assets and financial liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group and the Company assesses on a forward-looking basis, the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables, the Group and the Company measure the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other receivables, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company.

At the end of each reporting period, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings), or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share capital (Cont'd)

Financial liabilities

Initial recognition and measurement

The Group and the Company determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Borrowings to be settled within the Group's normal operating cycle are considered as "current". Other borrowings due to be settled more than 12 months after the reporting date are included in "non-current" borrowings in the statement of financial position. Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Contract liabilities

Contract liabilities relate to rebates extended to a customer of the Group which will be set-off against future invoices for meeting contractually agreed sales volumes.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Borrowing costs

Borrowing costs are recognised in statement of comprehensive income as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs. 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 ready for their intended use or sale.

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 Employees Provident Fund in Malaysia, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions to national pension schemes are charged to the statement of comprehensive income in the year to which the contributions relate.

Employee leave entitlements

Employee leave entitlements to annual leave are recognised when they accrue to the employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue

Revenue from sale of goods is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised goods to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not been previously sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer.

When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue is recognised at a point in time when the goods are delivered to the customer and all criteria for acceptance has been satisfied.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or a parent of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related parties (Cont'd)

(b) An entity is related to the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and the fellow subsidiary is related to the others);
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
(iii) both entities are joint ventures of the same third party;
(iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain key executive officers are considered key management personnel.

Income taxes

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when 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 affects neither the accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income taxes (Cont'd)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Functional currencies

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 ("functional currency"). The functional currency of the Company is Singapore Dollar.

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

Conversion of foreign currencies

Foreign currency transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in profit of loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the statement of comprehensive income as part of the gain or loss on disposal of the foreign operation.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(D) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

Conversion of foreign currencies (Cont'd)

Foreign currency transactions and balances (Cont'd)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Group entities

The results and financial position of all the Group entities *(none of which has the currency of a hyperinflationary economy)* and the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities (including comparatives) are translated at the closing exchange rates at the end of reporting period;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

Additional disclosures on operating segments are shown in Note 23 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information. Segment results that are reported to Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3(A) RESTRUCTURING OF KTAPL GROUP

On 5 September 2017, Mr. Lim Siau Hing @ Lim Kim Hoe (the "Vendor") incorporated KTAPL with an initial share capital of $2.

On 24 January 2019, KTAPL undertook the following acquisitions (collectively known as the "Restructuring Exercise"):

(a) acquisition of the entire share capital of Callisto Apparel Holdings Pte. Ltd. ("Callisto Singapore") from the Vendor via the issuance of 1,000,000 ordinary shares in the capital of KTAPL for an aggregate consideration of US$1 million;

(b) acquisition of the entire share capital of Moon Apparel Holdings Pte. Ltd. ("Moon Singapore") from the Vendor via the issuance of 2,000,000 ordinary shares in the capital of KTAPL for an aggregate consideration of US$2 million;

(c) acquisition of the entire share capital of Knit Textile Holdings Sdn. Bhd. ("KTHSB") from the Vendor via the issuance of 2,400,000 ordinary shares in the capital of KTAPL for an aggregate consideration of RM2,400,000; and

(d) acquisition of the entire share capital of Xentika Limited ("Xentika") from the Vendor via the issuance of 10 ordinary shares in the capital of KTAPL for an aggregate consideration of US$10.

The transfer of the issued and paid-up share capital and/or acquisition of the economic interests in the shares of Callisto Singapore, Moon Singapore, KTHSB and Xentika is accounted for using the pooling-of-interest method as these entities are under common control of the Vendor before and after the Restructuring Exercise. On the basis that no acquisition has occurred and there has been a continuation of the risks and benefits to the controlling party (i.e. the Vendor) that existed prior to the Restructuring Exercise, this transaction is outside the scope of SFRS(I) 3 *Business Combinations*.

The management of KTAPL has applied merger accounting to reflect the continuation of Callisto Singapore, Moon Singapore, KTHSB and Xentika businesses for the financial year ended 31 December 2019 and for the comparative financial year ended 31 December 2018 as if the Restructuring Exercise had occurred from the date Callisto Singapore, Moon Singapore, KTHSB and Xentika first came under the control of KTAPL. At the consolidated financial statements, the difference between the values of ordinary shares issued by KTAPL and the share capital of Callisto Singapore, Moon Singapore, KTHSB and Xentika was recorded in merger reserve (see Note 11).

3(B) REVERSE ACQUISITION

The Company completed its acquisition of the entire share capital of KTAPL ("reverse acquisition") on 18 February 2019 by way of the issuance of 132 million new ordinary shares in the Company to the Vendor of KTAPL. The transaction is treated as a reverse acquisition for accounting purposes as the Vendor becomes the controlling shareholder of the Company on completion of the transaction.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3(B) REVERSE ACQUISITION (CONT'D)

Accordingly, KTAPL (being the legal subsidiary corporation in this transaction) is regarded as the accounting acquirer, and the Company (being the legal parent in the transaction) is regarded as the accounting acquiree.

The consolidation financial statements of the Company have been prepared and presented as a continuation of KTAPL Group's financial results and operations, in accordance with the following:

(a) the assets and liabilities of the accounting acquirer, i.e. KTAPL and its subsidiaries ("KTAPL Group"), are recognised and measured in the consolidated statement of financial position at their pre-acquisition carrying amount;

(b) the assets and liabilities of the accounting acquiree, i.e. the Company, are recognised and measured in accordance with their acquisition date fair value;

(c) the retained profits and other equity balances recognised in the consolidated financial statements of the Group are the retained earnings and other equity balances of KTAPL Group immediately before the reverse acquisition;

(d) the amount recognised in the issued equity interest in the consolidated financial statements of the Group is computed by adding the issued equity of KTAPL immediately before the reverse acquisition to the fair value of the consideration effectively transferred based on the share price of the Company at the acquisition date. However, the equity structure presented in the consolidated financial statements of the Group (i.e. the number and the type of equity instruments issued) shall reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the combination; and

(e) the comparative figures presented in these consolidated financial statements of the Group are those of consolidated financial statements of KTAPL Group.

Following the completion of the reverse acquisition, the principal businesses of the Group are those of KTAPL Group.

The consolidated financial statements of the Group have been prepared using the reverse acquisition accounting as set out in SFRS(I) 3 *Business Combinations*, but it does not result in the recognition of goodwill as the Company was deemed as a cash company under the Rule 1017 of the Catalist Rules and did not meet the definition of a business as set out in SFRS(I) 3 *Business Combinations*.

Instead, such transaction falls within the scope of SFRS(I) 2 *Share-based Payments*, which requires the deemed shares issued by the legal subsidiary (as consideration for the acquisition of the Company) to be recognised at fair value.

Excess of deemed acquisition over the fair value of the Company's identifiable net assets is accounted for as the cost of obtaining a listing by the legal subsidiary, KTAPL (see Note 10).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land $'000	Leasehold land $'000	Buildings $'000	Plant and machinery $'000	Electrical installation $'000	Office equipment and furniture and fittings $'000	Motor vehicles $'000	Renovations $'000	Assets under construction $'000	Total $'000
Cost										
At 1 January 2018 (unaudited)	2,234	1,720	2,945	8,057	1,183	1,838	920	1,774	3,015	23,686
Additions	–	–	43	1,237	10	213	89	56	1,959	3,607
Disposals	–	–	–	(432)	–	(2)	–	–	–	(434)
Written off	–	–	–	(24)	–	–	–	–	–	(24)
Translation differences	5	4	6	88	14	15	5	28	12	177
At 31 December 2018 (unaudited)	2,239	1,724	2,994	8,926	1,207	2,064	1,014	1,858	4,986	27,012
Adoption of SFRS(I) 16 – Reclassification to "right-of-use assets" (Note 5)	–	(1,724)	–	–	–	–	(647)	–	–	(2,371)
At 1 January 2019 (unaudited)	**2,239**	**–**	**2,994**	**8,926**	**1,207**	**2,064**	**367**	**1,858**	**4,986**	**24,641**
Additions	**–**	**–**	**520**	**916**	**146**	**227**	**12**	**24**	**87**	**1,932**
Transfers	**–**	**–**	**4,435**	**439**	**49**	**62**	**–**	**–**	**(4,985)**	**–**
Disposals/written-off	**–**	**–**	**–**	**(487)**	**–**	**(39)**	**–**	**–**	**–**	**(526)**
Translation differences	**(15)**	**–**	**(55)**	**(52)**	**(9)**	**(11)**	**(4)**	**(8)**	**(2)**	**(156)**
At 31 December 2019	**2,224**	**–**	**7,894**	**9,742**	**1,393**	**2,303**	**375**	**1,874**	**86**	**25,891**

NOTES TO THE **FINANCIAL STATEMENTS**
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4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land $'000	Leasehold land $'000	Buildings $'000	Plant and machinery $'000	Electrical installation $'000	Office equipment and furniture and fittings $'000	Motor vehicles $'000	Renovations $'000	Assets under construction $'000	Total $'000
Accumulated depreciation										
At 1 January 2018 (unaudited)	–	184	633	4,211	835	1,375	485	1,049	–	8,772
Depreciation	–	60	82	707	77	143	151	137	–	1,357
Disposals	–	–	–	(420)	–	(1)	–	–	–	(421)
Written off	–	–	–	(23)	–	–	–	–	–	(23)
Translation differences	–	–	–	44	7	11	1	21	–	84
At 31 December 2018 (unaudited)	–	244	715	4,519	919	1,528	637	1,207	–	9,769
Adoption of SFRS(I) 16 – Reclassification to "right-of-use assets" (Note 5)	–	(244)	–	–	–	–	(345)	–	–	(589)
At 1 January 2019 (unaudited)	**–**	**–**	**715**	**4,519**	**919**	**1,528**	**292**	**1,207**	**–**	**9,180**
Depreciation	**–**	**–**	**179**	**848**	**83**	**155**	**28**	**140**	**–**	**1,433**
Transfers	**–**	**–**	**–**	**(2)**	**1**	**1**	**–**	**–**	**–**	**–**
Disposals/written-off	**–**	**–**	**–**	**(350)**	**–**	**(39)**	**–**	**–**	**–**	**(389)**
Translation differences	**–**	**–**	**(6)**	**(27)**	**(5)**	**(9)**	**(1)**	**(3)**	**–**	**(51)**
At 31 December 2019	**–**	**–**	**888**	**4,988**	**998**	**1,636**	**319**	**1,344**	**–**	**10,173**
Net carrying amount										
At 31 December 2019	**2,224**	**–**	**7,006**	**4,754**	**395**	**667**	**56**	**530**	**86**	**15,718**
At 31 December 2018 (unaudited)	2,239	1,480	2,279	4,407	288	536	377	651	4,986	17,243

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Depreciation included in the consolidated statement of comprehensive income as follows:

The Group	2019 $'000	2018 $'000 (unaudited)
Cost of sales (Note 18)	**1,298**	1,068
Administrative and general expenses (Note 18)	**135**	289
	1,433	1,357

As at 31 December 2019, the Group's property, plant and equipment amounting to $8,682,000 (2018 – $9,849,000) are pledged as collaterals for bank borrowings as disclosed under Note 12.

As at 31 December 2018, assets under construction related to buildings and plant and machinery for the Group's knitting and dyeing facilities located in Malaysia which were completed and became operational in the current financial year.

On 1 January 2019, the carrying amount of the Group's (i) leasehold land of $1,480,000; and (ii) motor vehicles acquired under finance leases of $302,000, respectively, have been reclassified to "right-of use assets" as at 1 January 2019 in accordance with SFRS(I) 16.

5 RIGHT-OF-USE ASSETS

The Group	Leasehold land $'000	Factory premises $'000	Motor vehicles $'000	Total $'000
Cost				
Adoption of SFRS(I) 16:				
– Initial recognition	–	1,774	–	1,774
– Reclassification from property, plant and equipment (Note 4)	1,724	–	647	2,371
At 1 January 2019	1,724	1,774	647	4,145
Additions	**–**	**768**	**–**	**768**
Translation differences	**(11)**	**(3)**	**(5)**	**(19)**
At 31 December 2019	**1,713**	**2,539**	**642**	**4,894**
Accumulated depreciation				
Adoption of SFRS(I) 16:				
– Reclassification from property, plant and equipment (Note 4)	244	–	345	589
At 1 January 2019	244	–	345	589
Depreciation	**40**	**428**	**119**	**587**
Translation differences	**(3)**	**–**	**(3)**	**(6)**
At 31 December 2019	**281**	**428**	**461**	**1,170**
Carrying amount				
At 31 December 2019	**1,432**	**2,111**	**181**	**3,724**
At 1 January 2019	1,480	1,774	302	3,556

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 RIGHT-OF-USE ASSETS (CONT'D)

Depreciation included in the consolidated statement of comprehensive income as follows:

The Group	**2019**
	$'000
Cost of sales (Note 18)	**408**
Administrative and general expenses (Note 18)	**179**
	587

As at 31 December 2019, the Group's right-of-use assets amounting to $1,430,000 are pledged as collaterals for bank borrowings as disclosed under Note 12.

6 SUBSIDIARIES

The Company	**$'000**
Unquoted equity investments, at cost:	
At 1 January 2018 and 31 December 2018	–
Acquisition of KTAPL arising from reverse acquisition (Notes 3(a) and 10)	26,400
At the end of the year	26,400

The details of the subsidiaries are as follow:

Name	**Country of incorporation/ principal place of business**	**Percentage of equity held**		**Principal activities**
		2019	**2018**	
Held by the Company				
Knit Textile and Apparel Pte. Ltd. ("KTAPL")*	Singapore	**100**	–	Investment holding
MAE Engineers Pte. Ltd. ("MAEPL") (Note A)	Singapore	**-**	–	Inactive
Held by KTAPL				
Knit Textile Holdings Sdn. Bhd. ("KTHSB")**	Malaysia	**100**	–	Investment holding
Knit Textile Corporation Pte. Ltd. ("KTCPL")****	Singapore	**100**	–	Manufacturing of apparel products
Callisto Apparel Holdings Pte. Ltd. ("CAHPL")*	Singapore	**100**	–	Investment holding
Moon Apparel Holdings Pte. Ltd. ("MAHPL")*	Singapore	**100**	–	Investment holding
Xentika Limited ("Xentika")**	Seychelles	**100**	–	International business

NOTES TO THE **FINANCIAL STATEMENTS**

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6 SUBSIDIARIES (CONT'D)

Name	Country of incorporation/ principal place of business	Percentage of equity held 2019	Percentage of equity held 2018	Principal activities
Held by KTHSB				
Knit Textile Mfg. Sdn. Bhd ("KTMSB")**	Malaysia	**100**	–	Apparel manufacturing
Knit Textile Integrated Industries Sdn. Bhd. ("KTIISB")** (Note B)	Malaysia	**100**	–	Operation of a fabric dyeing and finishing plant
Held by CAHPL				
Callisto Apparel (Cambodia) Co. Ltd.***	Cambodia	**100**	–	Apparel manufacturing
Held by MAHPL				
Moon Apparel (Cambodia) Co. Ltd.***	Cambodia	**100**	–	Apparel manufacturing

Note A:

On 21 December 2018, the Company entered into a sale and purchase agreement with an ex-director and ex-controlling shareholder of the Company in relation to the disposal of the entire issued 1,500,002 ordinary shares in the capital of MAEPL ("MAEPL Shares") for a nominal cash consideration of S$1.00. The nominal consideration took into account that MAEPL has been dormant since April 2008 and had no business nor operations, no recurring income and negative equity.

The disposal was completed on 28 December 2018. Accordingly, MAEPL ceased to be a subsidiary of the Company as at 31 December 2018. Arising from this, a gain on disposal of MAEPL of $4,000 and $1 were recorded in the consolidated statement of comprehensive income and the Company's separate statement of comprehensive income in the previous financial year ended 31 December 2018, respectively.

Note B:

On 6 November 2019, the Company announced that pursuant to an internal restructuring exercise within the KTAPL Group, KTMSB entered into a Sale of Shares Agreement with KTHSB, where KTMSB transferred the entire issued and paid-up capital of its wholly-owned subsidiary KTIISB (formerly known as Ocean Art & Embellishment Sdn. Bhd.) to KTHSB for a cash consideration of RM 2 million. The above transaction was completed in January 2020 and KTIISB becomes a wholly owned subsidiary of KTHSB.

* Audited by Foo Kon Tan LLP
** Audited by a member firm of HLB International
*** Audited by BG Associates Ltd, a member firm of Moore
**** Audited by Foo Kon Tan LLP for the purpose of consolidation (incorporated on 10 October 2019)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 INVENTORIES

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
Raw materials, at cost	**4,209**	3,580
Work-in-progress, at cost	**2,483**	4,314
Finished goods, at cost	**3,120**	3,209
	9,812	11,103

The cost of inventories recognised as an expense and included in "cost of sales" line item in the consolidated statement of comprehensive income for the financial year ended 31 December 2019 amounting to $49,924,000 (2018 unaudited – $60,225,000).

There was no write-down in value of inventories nor inventories written-off during the current and previous financial years.

8 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
		(unaudited)		
Trade receivables	**14,558**	20,321	**-**	–
Allowance for impairment loss	**(443)**	(12)	**-**	–
Net trade receivables	**14,115**	20,309	**-**	–
Other receivables	**129**	301	**29**	–
Deposits	**866**	556	**-**	1
Financial assets at amortised costs	**15,110**	21,166	**29**	1
Advances to suppliers	**172**	167	**-**	–
Prepayments	**208**	187	**9**	9
Net input GST/VAT recoverable	**434**	600	**21**	13
	15,924	22,120	**59**	23

The movement of allowance for impairment losses is as follows:

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
At the beginning of the year	**12**	–
Impairment loss recognised	**443**	12
Impairment loss reversed	**(12)**	–
	431	12
At the end of the year	**443**	12

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables (excluding advances to suppliers, prepayments and net input GST/ VAT recoverable) are denominated in the following currencies:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
		(unaudited)		
Singapore dollar	**40**	–	**29**	1
United States dollar	**14,890**	21,049	**-**	–
Malaysian ringgit	**180**	117	**-**	–
	15,110	21,166	**29**	1

The Group's and the Company's exposure to credit risk is disclosed in Note 24 to the financial statements.

9 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
		(unaudited)		
Cash on hand	**15**	30	**-**	–
Cash at bank	**2,209**	3,878	**13**	12
Fixed deposits	**1,136**	1,004	**-**	–
Cash and cash equivalents	**3,360**	4,912	**13**	12
Less: Deposits pledged	**(1,136)**	(1,004)		
Cash and cash equivalents in the statement of cash flows	**2,224**	3,908		

Included in cash at bank is an amount of $1,136,000 (2018 unaudited – $1,004,000) pledged to secure bank borrowings (refer to Note 12).

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
		(unaudited)		
Singapore dollar	**15**	1	**13**	12
United States dollar	**1,893**	3,653	**-**	–
Malaysian ringgit	**1,443**	1,239	**-**	–
Others	**9**	19	**-**	–
	3,360	4,912	**13**	12

The Group and Company's exposure to interest rate and currency risks is disclosed in Note 24.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 SHARE CAPITAL

The Group	**Number of ordinary shares '000**	**Amount $'000**
Ordinary shares issued and fully paid with no par value:		
At the date of incorporation(1)	–^	–^
Shares issued from restructuring(2)	5,400	4,865
At 31 December 2018	5,400	4,865
Effects of restructuring(3)	68,232	31,962
	73,632	36,827
Share consolidation(4)	(69,950)	–
Issuance of shares:		
– Consideration shares(5)	132,000	26,400
– Transaction costs shares(6)	10,000	2,000
– Settlement shares(7)	24,000	4,800
	166,000	33,200
Capital reduction(8)	–	(36,826)
At 31 December 2019	**169,682**	**33,201**

The Company		
Ordinary shares issued and fully paid with no par value:		
At 1 January 2018 and 31 December 2018	73,632	36,827
Share consolidation(4)	(69,950)	–
Issuance of shares:		
– Consideration shares(5)	132,000	26,400
– Transaction costs shares(6)	10,000	2,000
– Settlement shares(7)	24,000	4,800
	166,000	33,200
Capital reduction(8)	–	(36,826)
At 31 December 2019	**169,682**	**33,201**

The Group's share capital amount differs from that of the Company as a result of reverse acquisition accounting as described in Notes 3(a) and 3(b).

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at the meetings of the Company. All share rank equally with regards to the Company's residual assets.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 **SHARE CAPITAL** (CONT'D)

^ Less than $1,000.

(1) KTAPL was incorporated on 5 September 2017 with a paid-up capital of $2 comprising 2 ordinary shares.

(2) In respect of the restructuring exercise as disclosed in Note 3(a), KTAPL issued the following shares to acquire the below subsidiaries on 24 January 2019:

	Number of ordinary shares '000	Amount $'000
Callisto Apparel Holdings Pte. Ltd.	1,000	1,359
Moon Apparel Holdings Pte. Ltd.	2,000	2,718
Knit Textile Holdings Sdn. Bhd.	2,400	788
Xentika Limited	–*	–*
	5,400	4,865

* 10 ordinary shares at US$1 each

(3) The equity structure (i.e. the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to reflect the reverse acquisition.

(4) On 29 January 2019, the Company consolidated its every 20 existing shares into one new consolidated share.

(5) On 18 February 2019, the Company issued 126.5 million new consideration shares at an issue price of $0.20 each amounting to $25.3 million, comprising (i) 85 million new consideration shares to the Vendor's nominee; (ii) 41.5 million new consideration shares in the name of the Vendor, for the acquisition of KTAPL at an agreed purchase consideration of $26.4 million, and the resultant credit balance of $1.1 million is recorded in the "capital reserve" in the Company's statement of changes in equity as a transaction with shareholder in accordance with SFRS(I) 1-1.

Another 5.5 million new consideration shares were issued to an unrelated advisor for the provision of services to the Vendor in respect of the Transaction, respectively. The cost of the transaction costs shares amounting to $1.1 million was expensed off to the statement of comprehensive income in accordance with SFRS(I) 1-32.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 SHARE CAPITAL (CONT'D)

(6) On 18 February 2019, the Company issued 10 million transaction cost shares at an issue price of $0.20 each to the Vendor as full and final settlement on the Transaction-related professional fees incurred and funded by the Vendor. The cost of the transaction cost shares was recognised in the "capital reserve" in the Company's statement of changes in equity as a transaction with a shareholder in accordance with SFRS(I) 1-1.

(7) On 18 February 2019, the Company issued 24 million settlement shares at an issue price of $0.20 each to the ex-controlling shareholder in full and final settlement of the amounts owing of $6.3 million on completion of the Transaction. The difference between the extinguishment of the liabilities owing to the ex-controlling shareholder and the fair value of the settlement shares issued of $1.5 million was recorded to the "capital reserve" in the statement of changes in equity as they are considered to be a transaction entered with a shareholder in accordance with SFRS(I) 1-1. (See Note 11).

(8) On 5 March 2019, the Company undertook a capital reduction exercise pursuant to Section 78A and 78C of the Companies Act by reducing the share capital of the Company from $36,827,431 to $1,000 by the cancellation of the share capital of the Company and applying the same amount towards the writing-off of part of the accumulated losses.

As disclosed in Note 3(a) to the financial statements, the Company completed its acquisition of the entire share capital of KTAPL by way of the issuance of 132 million new ordinary shares in the Company to the Vendor.

In the consolidated financial statements, the acquisition costs arising from the reverse acquisition was determined using the fair value of the issued equity of the Company amounting to $1.47 million, before the acquisition date, being 73,632,000 shares at $0.02 per share, which represents the market value of the Company at the date of completion of the reverse acquisition.

The identifiable net assets of the Company at the date of the restructuring exercise were as follows:

	$'000
Cash and cash equivalents	12
Other receivables	30
Other payables	(6,341)
Add: Extinguishment of amounts owing to ex-controlling shareholder	6,341
Identifiable net assets	42

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 SHARE CAPITAL (CONT'D)

An amount of $1.43 million, being the difference between (a) the purchase consideration of $1.47 million; and (b) the identifiable net assets of the Company amounting to $42,000, was recognised in the consolidated statement of comprehensive income as acquisition costs arising from the reverse acquisition incurred by KTAPL in accordance with SFRS(I) 2 *Share-based Payment.*

Cash and cash equivalents of $12,000 has been recognised as sales proceeds from the reverse acquisition under investing activities in the consolidated statement of cash flows.

In the separate financial statements of the Company, the acquisition costs arising from the reverse acquisition was determined by reference to the issuance of 132 million consideration shares at $0.20 per share amounting to $26.4 million (Note 6).

11 RESERVES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
		(unaudited)		
Capital reserve	**571**	–	**571**	–
Merger reserve	**(20,106)**	–	**-**	–
Translation reserve	**99**	224	**-**	–
Retained earnings/(accumulated losses)	**1,616**	9,757	**(7,827)**	(43,099)
	(17,820)	9,981	**(7,256)**	(43,099)

Capital reserve

The capital reserve represents (i) the gain on extinguishment of the amounts owing to the then controlling shareholder of the Company (See Note 10(7)); and (ii) transactions entered between the Company and the new controlling shareholder on acquisition of KTAPL (See Note 10(5 and 6)).

Merger reserve

The merger reserve represents the differences between the cost of investment recorded at the fair value of the equity shares issued by the Company and the share capital of the entity under common control.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 **RESERVES** (CONT'D)

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

12 **BORROWINGS**

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
Non-current liabilities – secured		
Finance lease liabilities (Note 12.1)	**–**	145
Bank loans (Note 12.2)	**3,375**	5,061
	3,375	5,206
Current liabilities – secured		
Finance lease liabilities (Note 12.1)	**–**	104
Bank loans (Note 12.2)	**13,326**	14,128
	13,326	14,232
	16,701	19,438

Borrowings are denominated in the following currencies:

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
United States dollar	**13,116**	9,733
Malaysian ringgit	**3,585**	9,705
	16,701	19,438

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 BORROWINGS (CONT'D)

12.1 Finance lease liabilities

The Group	2018 $'000 (unaudited)
Minimum lease payments payable:	
– Within one year	113
– In the second to fifth year inclusive	152
	265
Less: Future finance charges	16
Present value of minimum lease payments	249
Presented as:	
Non-current	145
Current	104
	249

As at 31 December 2018, the Group leased certain of its motor vehicles under finance leases, with an average lease term of 4 years. The average effective borrowing rate was 2.54%. Interest rates were fixed at the contract date, and do not expose the Group to interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance leases liabilities are reclassified to lease liabilities (Note 13) on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of the adoption is disclosed in Note 2(b).

12.2 Bank loans

	Maturity on borrowings	2019 $'000	2018 $'000 (unaudited)
Secured			
Term loans:			
– Fixed rate	2020	**98**	5,154
– Floating rate	2020 – 2024	**4,501**	561
		4,599	5,715
Other short-term loans:			
– Trust receipts	On demand	**7,654**	8,475
– Bankers' acceptance	On demand	**3,152**	4,243
– Invoice financing	On demand	**1,296**	756
		12,102	13,474
		16,701	19,189
Presented as:			
Non-current		**3,375**	5,061
Current		**13,326**	14,128
		16,701	19,189

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 BORROWINGS (CONT'D)

12.2 Bank loans (Cont'd)

The weighted average effective interest rates at the reporting date for bank loans are as follows:

The Group	2019 %	2018 % (unaudited)
Trust receipts	**3.02% – 4.82%**	1.20% – 4.99%
Bankers' acceptances	**3.51% – 5.05%**	4.86% – 5.32%
Invoice financing	**3.64% – 3.65%**	4.03% – 4.29%
Term loans	**4.80% – 5.35%**	3.38% – 4.95%

The remaining maturities of the bank loans at the end of the reporting period are as follows:

The Group	2019 $'000	2018 $'000 (unaudited)
On demand or within one year	**13,326**	15,215
More than 1 year but less than 2 years	**1,132**	354
More than 2 years but less than 5 years	**2,243**	657
More than 5 years	**–**	2,963
	16,701	19,189

The secured term loans of the Group are secured by legal charges over the Group's freehold and leasehold land, buildings and pledged deposits as disclosed in Notes 4 and Note 9 respectively.

The carrying amount of short-term borrowings and those repayable on demand approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

The Group	2019 $'000	2018 $'000 (unaudited)
Term loan		
– Carrying amount	**4,599**	5,715
– Fair value	**5,817**	5,910

The fair values are determined from the discounted cash flow analysis, using the discount rates of 4.80% – 5.35% (2018 unaudited – 3.38% – 4.95%) based on the borrowing rates which the directors expect would be available to the Group at the end of the reporting period.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 LEASE LIABILITIES

The Group	2019 $'000
Undiscounted lease payments due:	
– Within one year	760
– In the second to fifth year inclusive	2,325
	3,085
Less: Future interest costs	(817)
	2,268
Presented as:	
– Non-current	1,786
– Current	482
	2,268

Lease liabilities are denominated in the following currencies:

The Group	2019 $'000
United States dollar	2,093
Malaysian ringgit	175
	2,268

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Total cashflows for all leases in the current financial year amounted to $523,000. Information about the Group's leasing activities are further disclosed in Note 22.

Interest expense on lease liabilities of $69,000 is recognised within "finance costs" in the consolidated statement of comprehensive income.

In the current financial year, there were no leases of low-value assets nor short-term leases recognised in the consolidated statement of comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January $'000	Recognised in profit or loss $'000	At 31 December $'000
		(Note 19)	
At 31 December 2019			
Deferred tax liabilities			
Property, plant and equipment	**(461)**	**273**	**(188)**
Deferred tax assets			
Property, plant and equipment	**206**	**89**	**295**
	(255)	**362**	**107**
At 31 December 2018 (unaudited)			
Deferred tax liabilities			
Property, plant and equipment	(451)	(10)	(461)
Deferred tax assets			
Property, plant and equipment	–	206	206
	(451)	196	(255)

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 taxes relate to the same taxation authority.

As at reporting date, no deferred tax liabilities has been recognised for the withholding tax that will be payable on unremitted earnings of the Malaysian and Cambodian subsidiaries when remitted as dividends to the Company, as the Group is in a position to control the timing of the receipt of the distributable earnings.

As at 31 December 2019, no deferred tax liabilities have been recognised as the subsidiaries do not have undistributed earnings.

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15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(unaudited)		
Trade payables	**8,988**	14,216	**7**	–
Amounts due to directors/ shareholders (non-trade)	**1,697**	2,862	**40**	681
Amount due to a subsidiary (non-trade)	**–**	–	**400**	–
Amount due to a related party (non-trade)	**–**	–	**–**	5,197
Accrued operating expenses	**764**	547	**4**	–
Accrued salaries and wages	**1,033**	986	**5**	429
Other payables	**2,172**	2,372	**71**	–
Miscellaneous creditors	**188**	113	**–**	–
Financial liabilities at amortised cost	**14,842**	21,096	**527**	6,307
Contract liabilities	**117**	190	**–**	–
	14,959	21,286	**527**	6,307

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 120 days (2018 – 30 to 120 days).

The non-trade amounts due to directors/shareholders, a related party and a subsidiary are unsecured, interest-free and repayable on demand.

As at 31 December 2018, the non-trade amounts due to a related party related to the amount owing to Bin Tai Private Limited which were extinguished as part of the RTO as described in Note 10(7) in the current financial year.

Financial liabilities at amortised cost are denominated in the following currencies:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(unaudited)		
Singapore dollar	**155**	60	**527**	6,307
United States dollar	**9,725**	15,660	**–**	–
Malaysian ringgit	**4,962**	5,376	**–**	–
	14,842	21,096	**527**	6,307

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 24.

NOTES TO THE **FINANCIAL STATEMENTS**

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16 REVENUE

The Group	2019 $'000	2018 $'000 (unaudited)
Sale of goods, at a point in time	**87,571**	102,583

17 FINANCE COSTS

The Group	2019 $'000	2018 $'000 (unaudited)
Interest expenses on:		
– Term loans	**219**	81
– Other short-term loans	**642**	567
– Lease liabilities (2018: Finance lease liabilities)	**69**	12
	930	660

18 (LOSS)/PROFIT BEFORE TAXATION

The Group	2019 $'000	2018 $'000 (unaudited)
Included in "cost of sales":		
Depreciation of property, plant and equipment (Note 4)	**1,298**	1,068
Depreciation of right-of-use assets (Note 5)	**408**	–
Cost of goods purchased	**49,924**	60,225
Freight and delivery charges	**1,609**	2,080
Repair and maintenance costs	**527**	430
Operating lease expenses under SFRS(I) 1-17	**-**	459
Salary and related costs*	**10,745**	10,151
Defined contribution plan*	**464**	220
	11,209	10,371
Subcontractor charges	**7,792**	15,959
Utility charges	**1,024**	560

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18 **(LOSS)/PROFIT BEFORE TAXATION** (CONT'D)

The Group	2019 $'000	2018 $'000 (unaudited)
Included in "administrative and general expenses":		
Acquisition costs arising from the RTO (Note 3(b))	**1,429**	–
Transaction costs arising from the RTO (Note 3(b))	**1,100**	–
Depreciation of property, plant and equipment (Note 4)	**135**	289
Depreciation of right-of-use assets (Note 5)	**179**	–
Directors' fees	**40**	57
Impairment loss recognised on trade and other receivables, net	**431**	12
Operating lease expenses under SFRS(I) 1-17	**–**	11
Repair and maintenance costs	**124**	112
Legal and professional fees	**478**	339
Salary and related costs*	**4,108**	3,427
Defined contribution plan*	**396**	233
	4,504	3,660
Travelling and transport expenses	**44**	51
Utility charges	**48**	54
Included in "selling and marketing expenses":		
Entertainment expenses	**70**	60
Travelling and transport expenses	**207**	241
Sampling and commission paid	**2,636**	1,871
Air freight	**1,522**	1,697

* Included in the above is key management personnel compensation, excluding directors' fees paid to non-executive directors, which is disclosed in Note 21.

19 **TAXATION**

The tax expense on results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax as a result of the following:

The Group	2019 $'000	2018 $'000 (unaudited)
Current tax expense		
– Current year	**529**	420
– Over-provision in respect of prior years	**–**	(86)
	529	334
Deferred tax expense		
– Origination and reversal of temporary differences	**(362)**	(196)
	167	138

NOTES TO THE **FINANCIAL STATEMENTS**

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19 TAXATION (CONT'D)

The Group	2019 $'000	2018 $'000 (unaudited)
Reconciliation of effective rate		
(Loss)/profit before taxation	**(1,736)**	1,735
Tax using Singapore tax rate of 17% (2018 – 17%)	**(295)**	295
Effect of tax rates in foreign jurisdictions	**65**	77
Income not subject to tax	**(74)**	(177)
Non-deductible expenses	**471**	29
Over-provision in respect of prior years	**–**	(86)
	167	138

In the current financial year, non-deductible expenses mainly relate to the deemed acquisition and transaction costs arising from the RTO while income not subject to tax relates to the undistributed profits from a wholly-owned subsidiary incorporated in Seychelles.

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

In connection with the reverse acquisition, the number of ordinary shares outstanding from the beginning of the financial period to the completion date of the reverse acquisition for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company to the shareholders of KTAPL. The number of ordinary shares outstanding from the completion date to the end of the period is the weighted average number of ordinary shares of the Company outstanding during the period.

The comparative earnings per share reflected the results of the KTAPL Group during the financial year ended 31 December 2018. The number of ordinary shares issued by the Company for the reverse acquisition is deemed to be the weighted average member of ordinary shares for the financial period ended 31 December 2018.

The Group	2019 $'000	2018 $'000 (unaudited)
(Loss)/profit for the year attributable to owners of the Company ($'000)	**(1,903)**	1,597
Weighted average number of ordinary shares for basic and diluted earnings per share ('000)	**169,682**	169,682
Basic and diluted earnings per share (cents)	**(1.12)**	0.94

Diluted earnings per share are the same as basic earnings per shares as there were no potential dilutive ordinary shares existing during the respective periods.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors are considered as key management personnel of the Group.

The key management personnel compensation comprises:

The Group	2019 $'000	2018 $'000 (unaudited)
Short term employee benefits	**624**	192
Contributions to defined contribution plans	**73**	23
	697	215

22 COMMITMENTS

Lease commitments – *Where the Group is a lessee*

As at 31 December 2018, the Group was committed to making the following rental payments in respect of non-cancellable operating leases of factory premises in Cambodia in accordance with SFRS(I) 1-17.

The Group	2018 $'000 (unaudited)
Not later than one year	423
Later than one year and not later than five years	1,529
Later than five years	153
	2,105

The leases run for periods of 1 to 5 years, with options to renew the leases upon expiry. There are no externally imposed covenants on these leases.

As disclosed in Note 2(b), the Group has adopted SFRS(I) 16 on 1 January 2019. These operating lease commitments as at 31 December 2018 have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 OPERATING SEGMENTS

Management considers the business from both geographical and business segment perspective. Geographically, management manages and monitors the business in Malaysia. The Group is engaged in the apparel manufacture and trading business.

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services and has one reportable operating segment – the Apparel business segment.

The Apparel business segment relates to revenue generated from the manufacture and sale of apparel products to customers located in the United States, United Kingdom, Canada, European Union, Malaysia and other countries.

Geographical Information

For management purposes, revenue and non-current assets are grouped into country or region that exhibit similar economic environment. Revenue and non-current assets information based on the geographical location of customers and assets respectively is as follows:

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
Revenue		
United States	**34,719**	44,199
United Kingdom	**32,712**	36,331
Canada	**1,169**	8,491
European Union	**17,529**	10,389
Malaysia	**1,354**	8
Others	**88**	3,165
	87,571	102,583

The Group trades with customers in the countries shown above. In presenting information on the basis of geographical segments, segment revenue is based on the countries in which customers are invoiced.

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
Non-current assets		
Malaysia	**15,352**	14,774
Cambodia	**4,362**	2,675
Singapore	**23**	–
	19,737	17,449

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 OPERATING SEGMENTS (CONT'D)

Non-current assets information presented above consists of the following items as presented in the consolidated statement of financial position:

The Group	**2019**	**2018**
	$'000	**$'000**
		(unaudited)
Property, plant and equipment	**17,150**	17,243
Right of use assets	**2,292**	–
Deferred tax assets	**295**	206
	19,737	17,449

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all new customers.

The carrying amounts of the financial assets in the statement of financial position represent the Group's maximum exposure to credit risk before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

At reporting date, the Group has concentration of credit risk with 3 customers (2018 unaudited – 3 customers) accounting for approximately 87% (2018 unaudited – 79%) of the total trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables.

NOTES TO THE **FINANCIAL STATEMENTS**

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (Cont'd)

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired was as follows:

The Group	2019 $'000	2018 $'000
		(unaudited)
Past due less than 1 month	**2,629**	3,779
Past due 1 to 2 months	**148**	529
Past due over 2 to 3 months	**50**	–
Past due over 3 months	**464**	110

Loss rates are based on actual credit loss experience over the past three years. These rates are adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. These scalar factors are calculated using statistical models that determine numeric correlation of loss rates with relevant economic variables. The expected credit losses recognised during the financial year is disclosed in Note 8 to the financial statements.

The cash and cash equivalents are held with reputable banks and financial institutions which are regulated.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to changes in interest rates primarily due to the Group's loans and borrowings which are subject to variable interest rates. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

The Group	2019 $'000	2018 $'000
		(unaudited)
Fixed rate instruments		
Fixed rate loans	**98**	5,154
Trust receipts	**7,681**	8,475
Bankers' acceptance	**3,152**	4,243
Invoice financing	**1,269**	756
Lease liabilities (2018 – finance lease liabilities)	**2,268**	249
	14,468	18,877

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk (Cont'd)

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

The Group	2019 $'000	2018 $'000
		(unaudited)
Variable rate instruments		
Floating rate loans	**4,501**	561

<u>Sensitivity analysis for fixed rate instruments</u>

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

For the variable rate financial assets and liabilities, a 100 basis points ("bp") change in interest rates at the reporting date would not have a material impact on the loss before tax and equity. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's policy is to obtain the most favourable interest rates available without increasing its interest exposure.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's entities are exposed to foreign currency risk on receivables, cash and cash equivalents, borrowings (including lease liabilities) and trade payables that are denominated in currencies other than their respective functional currencies. The currency giving rise to this risk is mainly United States dollar ("USD").

There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

The Group's exposure to foreign currency risk is as follows:

	2019 USD $'000	2018 USD $'000
Trade and other receivables (Note 8)	**14,890**	21,049
Cash and cash equivalents (Note 9)	**1,893**	3,653
Borrowings (Note 12)	**(13,116)**	(9,733)
Lease liabilities (Note 13)	**(2,093)**	–
Trade and other payables (Note 15)	**(9,725)**	(15,660)
Net currency exposure	**(8,151)**	(691)
Sensitivity analysis		
Strengthened by 10% (2018: 10%)	**815**	(69)
Weakened by 10% (2018: 10%)	**(815)**	69

A 10% strengthening/weakening of the USD against the functional currencies of the respective entities within the Group at the reporting date would increase/(decrease) the (loss)/profit before tax by the amounts above.

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables in particular interest rates, remain constant. The analysis is performed on the same basis for 2019 and 2018, albeit that the reasonably possible foreign exchange rate variances may have been different.

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE **FINANCIAL STATEMENTS**

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (Cont'd)

To ensure the continuity of funding, the Group's policy is to use a mix of long-term and short-term financing. Short-term funding is obtained through bankers' acceptance, invoice financing and trust receipts. Long-term funding is primarily used for acquisition of property, plant and equipment. The Group evaluates various alternative financing arrangements to balance its debt leverage.

The Group monitors current and expected liquidity requirements to ensure that it maintains sufficient working capital and adequate external financing to meet its liquidity requirements in the short and longer term. The sources of liquidity and funding available to the Group are the financing from various financial institutions.

Analysis of financial instruments by remaining contractual maturities

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude impact of netting agreements:

		Contractual undiscounted cash flows			
	Carrying amount $'000	Total $'000	Within 1 year $'000	Between 2 and 5 years $'000	More than 5 years $'000
The Group					
31 December 2019					
Term loans:					
– Fixed rate (Note 12)	**98**	**101**	**101**	**–**	**–**
– Floating rate (Note 12)	**4,501**	**5,716**	**1,475**	**4,241**	**–**
Other short-term loans (Note 12)	**12,102**	**12,254**	**12,254**	**–**	**–**
Lease liabilities (Note 13)	**2,268**	**3,085**	**760**	**2,325**	**–**
Trade and other payables (Note 15)	**14,842**	**14,842**	**14,842**	**–**	**–**
	33,811	**35,998**	**29,432**	**6,566**	**–**
31 December 2018 (unaudited)					
Term loans:					
– Fixed rate (Note 12)	5,154	5,232	5,130	102	–
– Floating rate (Note 12)	561	678	173	505	–
Other short-term loans (Note 12)	13,474	13,711	13,711	–	–
Finance lease liabilities (Note 12)	249	265	113	152	–
Trade and other payables (Note 15)	21,096	21,096	21,096	–	–
	40,534	40,982	40,223	759	–

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)

		Contractual undiscounted cash flows			
	Carrying amount $'000	**Total $'000**	**Within 1 year $'000**	**Between 2 and 5 years $'000**	**More than 5 years $'000**
The Company					
31 December 2019					
Trade and other payables (Note 15)	**527**	**527**	**527**	**-**	**-**
31 December 2018 (unaudited)					
Trade and other payables (Note 15)	6,307	6,307	6,307	–	–

The maturity analysis shows the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash outflows disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

25 FINANCIAL INSTRUMENTS BY CATEGORY

Fair values

The carrying amounts of the financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

However, the Group and the Company does not anticipate that the carrying amounts recorded at end of the reporting year would be significantly different from the values that would eventually be received or settled.

The fair values of the Group's non-current borrowings are disclosed in Note 12 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

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25 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Accounting classification of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities at the reporting date by categories are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(unaudited)		
Financial assets				
Trade and other receivables (Note 8)	**15,110**	21,166	**29**	1
Cash and cash equivalents (Note 9)	**3,360**	4,912	**13**	12
	18,470	26,078	**42**	13
Financial liabilities				
Borrowings (Note 12)	**16,701**	19,438	**-**	–
Lease liabilities (Note 13)	**2,268**	–	**-**	–
Trade and other payables (Note 15)	**14,842**	21,096	**527**	6,307
	33,811	40,534	**527**	6,307

26 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;

(b) To support the Group's and the Company's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt represents total borrowings less cash and bank balances.

There were no changes in the Group's and the Company's approach to capital management during the year.

NOTES TO THE **FINANCIAL STATEMENTS**

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26 CAPITAL MANAGEMENT (CONT'D)

The Group is not subject to externally imposed capital requirements except for two subsidiaries whose loan facilities require them to maintain their financial position in excess of specified financial thresholds at all times. The subsidiaries complied with these covenants at the reporting date.

The gearing ratio is calculated as net debt divided by total capital as follows:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(unaudited)		
Borrowings (Note 12)	**16,701**	19,189	**-**	–
Lease liabilities (Note 13)	**2,268**	–	**-**	–
Trade and other payables (Note 15)	**14,842**	21,096	**527**	6,307
Less: Cash and bank balances (Note 9)	**(3,360)**	(4,912)	**(13)**	(12)
Net debt	**30,451**	35,373	**514**	6,295
Total equity	**15,381**	14,846	**25,945**	(6,272)
Total capital	**45,832**	49,219	**26,459**	23
Net debt-to-adjusted capital ratio	**66%**	71%	**2%**	N/M

N/M: Not meaningful.

27 COMPARATIVE FIGURES

The consolidated financial statements of the Group for the financial year ended 31 December 2018 ("comparative numbers") are that of KTAPL and its subsidiary corporations which were presented using the merger accounting as KTAPL and its subsidiary corporations were considered to be under common control before and after internal restructuring which was completed in January 2019.

28 SUBSEQUENT EVENTS

The COVID-19 outbreak subsequent to the reporting period is expected to impact the business of the Group. On 18 March 2020, the Board of Directors ("Board") announced that the Government of Malaysia has issued a 14-day Movement Control Order (the "Order") from 18 March 2020 to 31 March 2020 (the "Effective Period"). The Board subsequently announced on 14 April 2020 and 28 April 2020 that the Order was subsequently extended to 12 May 2020 ("Extended Period") to curb the spread of COVID-19 in Malaysia.

NOTES TO THE **FINANCIAL STATEMENTS**

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28 SUBSEQUENT EVENTS (CONT'D)

To comply with the Order, the Group's Operations Head Office, Textile and Apparel Manufacturing Facilities located at Batu Pahat, Johor, Malaysia is closed during the Effective and Extended Periods. Upon receiving an exemption from the Ministry of International Trade and Industry of Malaysia, the Company resumed operations at its Operations Head Office from 19 April 2020, under the condition of observing safe-distancing measures, with a maximum operational capacity of 50% of its staff. Subsequently, the Government of Malaysia announced that companies under the economic sectors which have earlier been permitted to operate during the Order are now allowed to resume full operations starting from 29 April 2020. Accordingly, the Company had resumed full operations, beginning 29 April 2020, following conditional approval from the Government of Malaysia. On 10 May 2020, the Order was further extended to 9 June 2020. As the situation relating to the spread of COVID-19 remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in FY 2020.

On 31 March 2020, the Company announced that it had received approval from the SGX-ST for an extension of time to release the Group's annual report by 14 May 2020 and to hold its AGM for FY2019 by 29 June 2020. On 7 April 2020, the Accounting and Corporate Regulatory Authority ("ACRA") released a media release stating that ACRA will grant a 60-day extension of time for all listed and non-listed companies whose AGMs are due during the period 16 April 2020 to 31 July 2020 and no application is required for such companies ("Automatic Time Extension"). Accordingly, the Company was granted Automatic Time Extension and the deadline for the Company to hold its AGM for FY2019 will be 29 June 2020.

SHAREHOLDING **STATISTICS**

SHARE CAPITAL INFORMATION
AS AT 20 APRIL 2020

Issued and fully paid-up capital	:	$33,201,000.00
Number of Shares (excluding treasury shares and subsidiary holdings)	:	169,681,544
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per share

The Company does not have any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS
AS AT 20 APRIL 2020

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	2,643	61.31	73,740	0.04
100 – 1,000	1,409	32.68	444,640	0.26
1,001 – 10,000	204	4.73	592,805	0.35
10,001 – 1,000,000	47	1.09	4,536,937	2.68
1,000,001 and above	8	0.19	164,033,422	96.67
Total	**4,311**	**100.00**	**169,681,544**	**100.00**

SUBSTANTIAL SHAREHOLDERS

AS AT 20 APRIL 2020	Direct Interest	%	Deemed Interest	%
Lim Siau Hing @ Lim Kim Hoe[1]	51,500,000	30.35	85,000,000	50.09
Lim Vhe Kai[2]	–	–	85,000,000	50.09
Wyandotte Capital Limited	85,000,000	50.09	–	–

Notes:

(1) Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Lim Siau Hing @ Lim Kim Hoe is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Lim Siau Hing @ Lim Kim Hoe is a beneficiary.

(2) Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Lim Vhe Kai is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Lim Vhe Kai is a beneficiary.

SHAREHOLDING **STATISTICS**

LIST OF TWENTY LARGEST SHAREHOLDERS
AS AT 20 APRIL 2020

No.	Name	No. of Shares	%
1	WYANDOTTE CAPITAL LIMITED	85,000,000	50.09
2	LIM SIAU HING @ LIM KIM HOE	51,500,000	30.35
3	UOB KAY HIAN PTE LTD	10,575,744	6.23
4	BIN TAI HOLDINGS PRIVATE LIMITED	8,145,707	4.80
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,033,490	1.79
6	SUN JIANWEI	2,500,000	1.47
7	YEO CHUN HEONG	2,271,200	1.34
8	DBS NOMINEES PTE LTD	1,007,281	0.59
9	GOH YEOW TIN	503,857	0.30
10	CHONG LEE CHING	500,000	0.29
11	YAP BOH PIN	500,000	0.29
12	SPEKTRA ANGGUN SDN BHD	278,265	0.16
13	CHONG KAR HUA	200,000	0.12
14	GOH BOON CHYE	200,000	0.12
15	LEE CHERN NEE	200,000	0.12
16	LIM YING HUI	200,000	0.12
17	PRISCILLA TAN KIM HUA	200,000	0.12
18	TAN KOK SEONG	200,000	0.12
19	YANG SU HUA	200,000	0.12
20	PHILLIP SECURITIES PTE LTD	138,617	0.08
	Total:	**167,354,161**	**98.62**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 20 April 2020, approximately 18.96% of the issued Ordinary Shares of the Company is being held by the public and therefore, Rule 723 of Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") has been complied with.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Lim Siau Hing
Executive Chairman

Mr Damien Lim Vhe Kai
Executive Director and Chief Executive Officer

Mr Goh Yeow Tin
Non-Executive and Lead Independent Director

Mr Yap Boh Pin
Non-Executive and Independent Director

Mr Koh Boon Huat
Non-Executive and Independent Director

AUDIT COMMITTEE
Mr Yap Boh Pin (Chairman)
Mr Goh Yeow Tin
Mr Koh Boon Huat

REMUNERATION COMMITTEE
Mr Koh Boon Huat (Chairman)
Mr Goh Yeow Tin
Mr Yap Boh Pin

NOMINATING COMMITTEE
Mr Goh Yeow Tin (Chairman)
Mr Yap Boh Pin
Mr Koh Boon Huat

COMPANY SECRETARIES
Ms Pan Mi Keay
Mr Lee Wei Hsiung

SHARE & WARRANT REGISTRAR AND SHARE TRANSFER OFFICE
Tricor Barbinder Share Registration Services
80 Robinson Road #11-02
Singapore 068898

INDEPENDENT AUDITOR
Foo Kon Tan LLP
Chartered Accountants
24 Raffles Place #07-03
Clifford Centre
Singapore 048621
Partner-in-charge: Kong Chih Hsiang Raymond
(Since financial year ended 31 December 2018)

PRINCIPAL BANKERS
United Overseas Bank (Malaysia) Bhd.
Standard Chartered Bank Malaysia Berhad
Malayan Banking Berhad

REGISTERED OFFICE
80 Robinson Road
#02-00
Singapore 068898
Tel: 6236 3459
Fax: 6236 4399
Email: general@knit.com.my

SPONSOR
SAC Capital Private Limited
1 Robinson Road
#21-00
AIA Tower
Singapore 048542