KTL GLOBAL

ANNUAL REPORT 2018

CHARTING NEW DIRECTIONS

PIONEERING THE FUTURE OF LIFTING

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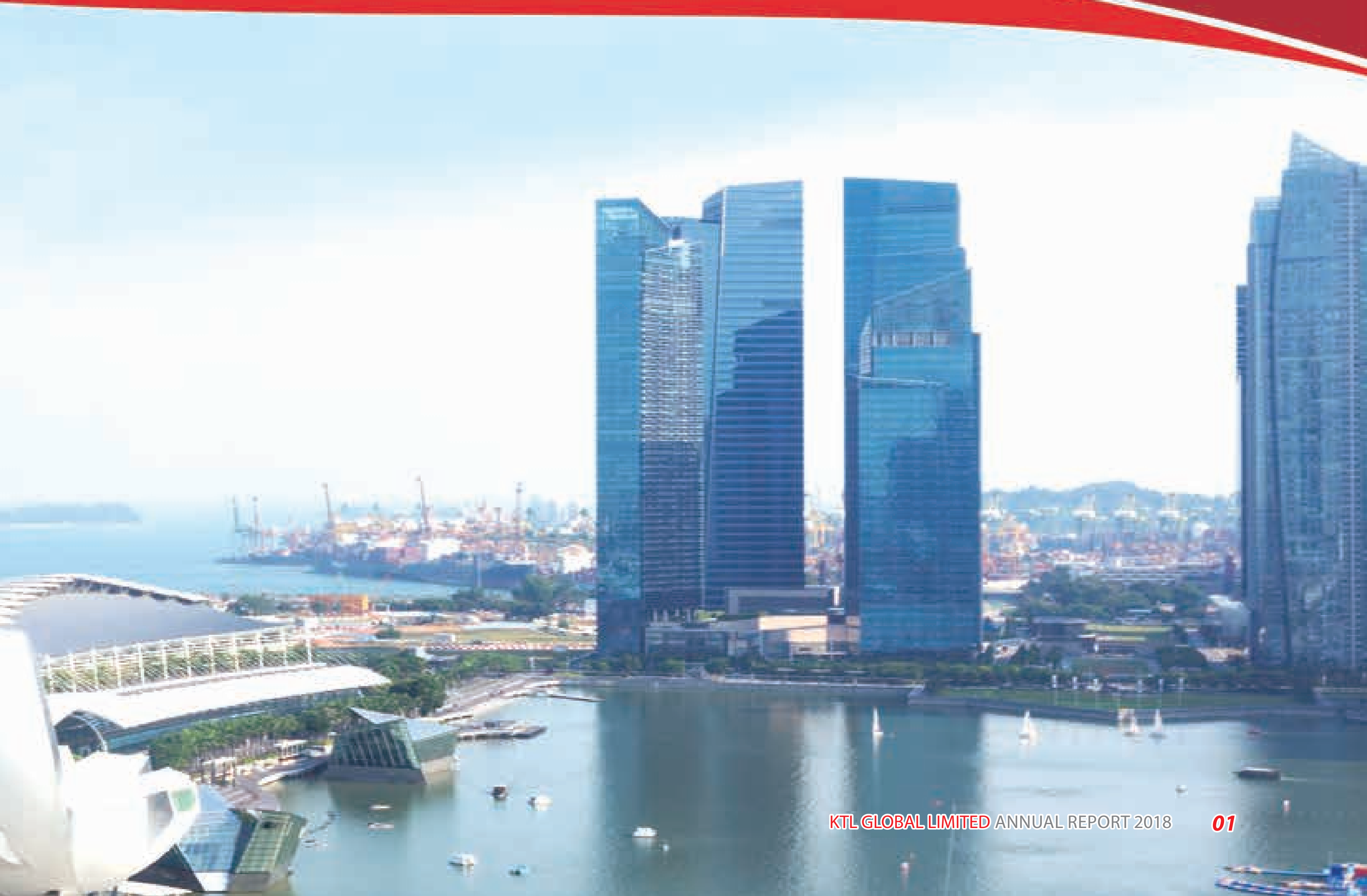


CORPORATE PROFILE

Your Global Rope,
Rigging and Mooring Partner

CORPORATE PROFILE

KTL Global Limited ("KTL", and together with its subsidiaries, the "Group") is a leading solutions provider for heavy lift and rigging equipment and related services to the offshore oil & gas ("O&G"), marine and construction industries.

With a legacy of more than 100 years, the Group is one of the world's largest suppliers of premium steel wire ropes, synthetic ropes and subsea rigging equipment. It also provides testing, certification and maintenance services to the O&G market.

The Group has a diversified geographical presence that includes rigging facilities – the largest of their kind – in the Hamriyah Free Zone in the United Arab Emirates and in Johor, Malaysia. It has offices in Indonesia, as well as strategic partners in Mexico and Brazil.

VISION

We shall strive to maintain our position as a leading supplier to the O&G and related industries, for wire and synthetic rope, rigging and heavy lift products and services.

We intend to enhance this position by delivering upon the following core principles of our business philosophy:

(1) Implementation of market expansion and penetration strategies which are focused and effective.

(2) Providing wire and synthetic rope and rigging products and services on a scale that cannot easily be matched by our competitors in terms of size, quantity and availability.

(3) Delivering high quality products and services and from reputable brand names in the industry.

(4) Providing a total solutions concept for demanding problems faced by the market through innovation, commitment and professionalism.

(5) Developing our personnel through investment in training to become experts in their field.

CHAIRMAN'S MESSAGE

> **The Group's synthetic manufacturing capability, continued cost cutting initiatives and significant efforts in inventory reduction is expected to put the Group in a position to weather the adverse market conditions.**

Dear Shareholders,

Although conditions in the global O&G industry remained challenging, crude oil prices recovered and stabilised somewhat in FY2018 which resulted in a corresponding increase in activity in the global offshore O&G industry. In line with this, the Group saw an increase in orders from its customers in Indonesia and the Middle East during FY2018. Barring unforeseen circumstances, the Group expects to continue to enjoy the benefits from such increased business activities as a result of the higher oil prices. However, the year ahead is likely to remain challenging for the Group as the O&G market is still characterised by an oversupply of goods and service providers and fluctuating oil prices.

In addition to the continued development in its synthetic products, the Group had also explored other business opportunities in order to improve its revenue stream and financial position during FY2018. To this end, the Group had, in November 2018, entered into a joint venture with a partner who brings extensive experience in trading, business management, capital sourcing, consulting, marketing, mergers and acquisitions. Pursuant to this joint venture, the Company invested in Bluegas Private Limited ("**Bluegas**"), who became 80% subsidiary of the Group. Bluegas has commenced business (being the trading of natural gas and related equipment and products) and is expected to contribute to the Group in FY2019.

Fund-raising activities were also undertaken during FY2018. The Company completed a placement exercise in November 2018 which raised net proceeds of S$885,000 for the expansion of the Group's business through investments, acquisition, joint ventures or strategic alliances and for general working capital purposes. As announced in March earlier this year, the Company is also proposing to issue convertible bonds to a subscriber, pursuant to which an estimated S$5,012,500 in net proceeds is expected to be raised for the Group's growth and expansion and for general working capital purposes.

The Group has experienced a challenging FY2018. However, the Board and the management of the Group will continue to adopt prudent measures and strategies to improve and strengthen the Group's financial position and to capitalise on growth opportunities in the year ahead.

APPRECIATION

Numerous changes to the Board took place in FY2018. My past colleagues on the Board, Mr Tan Tock Han, Mr Tan Kheng Yeow, Mr Mark Beretta and Mdm Cheong Hooi Kheng resigned as Directors of the Company pursuant to, *inter alia*, a management restructuring exercise. I would like to thank each of Mr Tan Tock Han, Mr Tan Kheng Yeow, Mr Mark Beretta and Mdm Cheong Hooi Kheng for their past contributions to the Board.

During FY2018, we also welcomed Mr Liu Changsheng to the Board.

I would like to thank my fellow Board members for their invaluable counsel and all management personnel and staff for helping to shape KTL, as well as our customers and business partners for their continued support. I would also like to express my gratitude to our loyal shareholders. We look forward to your continued support and meeting you at the upcoming annual general meeting.

LIM YEOW HUA @ LIM YOU QIN
Non-Executive Chairman and
Lead Independent Director

FINANCIAL AND OPERATIONS REVIEW

> Strengthening our synthetic sling technology and continuing to improve on internal efficiencies

THE YEAR IN REVIEW

The Group had been seeing an increase in orders from its Middle East and Indonesian customers. However, due to the high level of market volatility in crude oil prices and the Oil & Gas market is still characterised by an oversupply of goods and service providers, as such the challenging conditions remained for the financial year period 31 December 2018 ("FY2018").

FINANCIAL AND OPERATIONS REVIEW

FINANCIAL HIGHLIGHTS

The Group's revenue in FY2018 ("18 months") increased 74.2% to S$53.8 million from S$30.9 million in FY2017 ("12 months"), mainly due to a change of financial year end from 30 June to 31 December as announced on 29 June 2018 and 2 August 2018 ("change of financial year end") and the increase in revenue generated across all segments. Gross profit margin for the year increased to 13.9% from -3.0% as cost of sales decreased due to lower allowances for inventory obsolescence and inventory write-offs.

Other operating income for FY2018 increased 22.8% to S$2.4 million, mainly due to a change of financial year end and increase in bad debts recovered from trade debtors. Operating expenses, which comprised mainly administration expenses as well as sales and marketing costs, amounted to S$19.4 million, an increase of S$4.9 million, as compared to S$14.5 million in FY2017, mainly due to a change of financial year end. Finance costs increased to S$2.5 million from S$1.4 million in FY2017, mainly due to a change of financial year end and increase in the SIBOR and LIBOR interest rates and the Group has also utilised more bill payables.

Net loss attributable to shareholders was due to increase in revenue, other operating income, lower allowance for inventory obsolescence, impairment loss on investments in associates, plant and equipment and partially offset by higher administration expenses and sales and market expenses.

CASH FLOW

The Group's negative operating cash flow of S$9.8 million in the year under review. This was mainly due to loss before tax of S$18.5 million.

Net cash from investing activities increased to S$1.5 million from (S$0.6) million in the previous year. This was due to proceeds from disposal of investment of S$2.1 million in FY2018.

Net cash from financing activities amounted to S$2.2 million, increased by S$2.5 million from FY2017, driven by increased in loan from directors and shareholders in FY2018.

The Group ended the year with S$2.4 million in cash and cash equivalents.

BALANCE SHEET

The Group's negative equity came to S$17.1 million, compared to equity of S$0.1 million for FY2017 mainly due to net loss attributable to the shareholders during the year.

BOARD OF DIRECTORS

KENNY LIM
NON-EXECUTIVE CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

Mr Lim was appointed to the Board as the Lead Independent Director on 31 October 2007 and redesignated as Non-Executive Chairman on 28 December 2018. He was the Founder and a Director of Asia Pacific Business Consultants Pte. Ltd., which has been amalgamated into In.Corp Global Pte. Ltd. Mr Lim also sits as Independent Director on the boards of a number of companies listed on the Singapore Exchange and has over 25 years of experience in the tax, financial services and investment banking industries. Mr Lim holds a Bachelor of Accountancy and a Master of Business Administration from the National University of Singapore. He is an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals, a fellow member of the Institute of Singapore Chartered Accountants and a full member of the Singapore Institute of Directors.

JONATHAN TAN
CHIEF EXECUTIVE OFFICER

Mr Tan was appointed to the Board as Chief Executive Officer on 2 November 2017 and is responsible for executing the Group's strategies and budgets in ways designed to ensure profitability. He oversees its day-to-day operations and administrative matters, including sales, marketing and business development in Singapore. Prior to his appointment as Chief Executive Officer, he was the Director of Administration of KTL and his responsibilities include overseeing the administration, IT and HR departments. He joined KTL Offshore in 2003 after obtaining a Graduate Diploma in Finance Management from the Singapore Institute of Management. He earned a Bachelor of Business (with a double major in Marketing and Economics) from Edith Cowan University in Australia in 2001.

VICTOR LIU
EXECUTIVE DIRECTOR

Mr Liu was appointed to the Board as Executive Director on 10 December 2018 and he is the founder and a director of GuoRong China Finance Bank (Beijing) Asset Management Company Limited to serve companies for their public listing, mergers and acquisitions activities. Mr Liu graduated from Luoyang Institute of Technology in 2000 with a Diploma in International Trade and obtained professional certificates in private equity fund awarded by Asset Management Association of China (AMAC).

SUNNY WONG
INDEPENDENT DIRECTOR

Mr Wong was appointed to the Board as Independent Director on 16 March 2010 and currently serves as Chairman of its nominating and remuneration committees, and sits on the Group's audit committee. He is also an Independent Director on the boards of a number of companies listed on the Singapore Exchange. A practising advocate and solicitor of the Supreme Court of Singapore, he is the Managing Director and shareholder of Wong Tan & Molly Lim LLC, and a director and shareholder of WTML Management Services Pte. Ltd. Mr Wong graduated from the National University of Singapore with a Bachelor of Law (Honours).

EXECUTIVE OFFICERS

TAN TOCK HAN

DIRECTOR OF KTL OFFSHORE PTE. LTD.

Mr Tan is the founder of KTL Offshore when it was incorporated in 1973. He is involved in formulating the Group's strategic direction and expansion plans, and managing its overall business development. As one of the founders, he has played a pivotal role in the Group's growth and development. Mr Tan has more than 40 years of experience in the offshore, O&G and marine industries. He joined Kim Teck Leong (the sole proprietorship) in 1967 after completing his secondary education. In 1973, he took over the reins when KTL Offshore was incorporated and continued to expand the Group's business.

MARK BERETTA

CHIEF OPERATING OFFICER OF KTL OFFSHORE PTE. LTD.

Mr Beretta is our Chief Operating Officer and is responsible for overseeing strategic marketing and business development as well as growing the offshore O&G business. He oversees the sales and marketing team to develop the existing clientele base and reach out to new regional markets. Mr Beretta has more than 20 years of experience in the wire rope and rigging industry, with more than 10 years in the offshore O&G industry. He began his career in 1987 as a trainee metallurgist at Haggie Rand Ltd in South Africa where he held various positions as process/project metallurgist (1990), project manager (1994), business manager (1995) and technical sales and services manager (1999). He joined KTL Offshore in 1999 as Marketing Director and was later promoted to Business Development Director. In July 2007, he was promoted to Sales and Marketing Director and was appointed as Chief Operating Officer in October 2010. Mr Beretta obtained his national higher diploma in metallurgical engineering from Technikon Witwatersrand (Polytech) in South Africa in 1991 and a Master of Business Administration from Herriot-Watt University in the U.K. in 2001.

NG KOK PENG

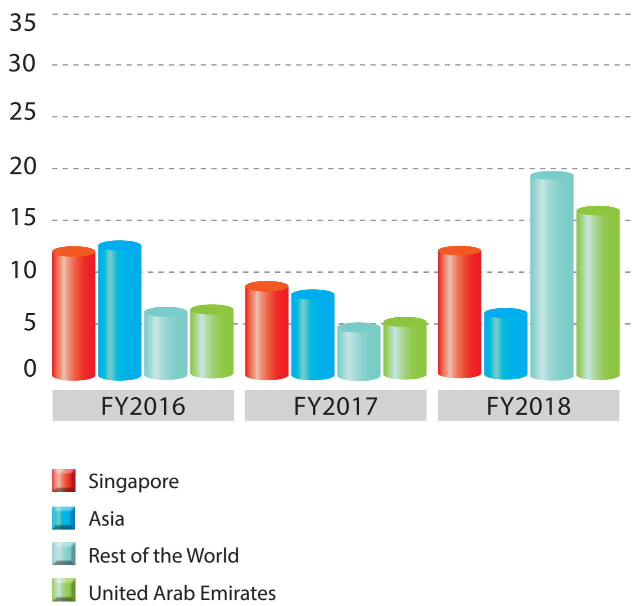
CHIEF FINANCIAL OFFICER

Mr Ng was appointed as Chief Financial Officer on March 2015 and oversees all financial accounting and reporting matters as well as corporate finance. Prior to joining the Group, he was Chief Financial Officer of Ley Choon Group Holdings Limited from November 2014 to February 2015 and Financial Controller of Oxley Holdings Limited from May 2010 to August 2014. He has more than 10 years of combined experience in audit, finance and accounting. Mr Ng is a member of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants (U.K.). He holds a Bachelor of Science (Honours) in Applied Accounting from Oxford Brookes University.

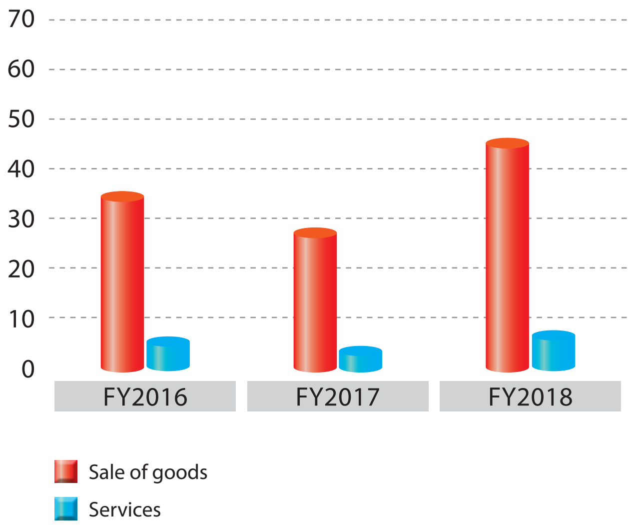
FINANCIAL HIGHLIGHTS

	FY2016	FY2017	FY2018
KEY FINANCIAL RATIOS			
Loss Per Share (S¢)	(5.97)	(12.30)	(7.54)
Net Asset Value Per Share (S¢)	12.5	0.03	(5.42)
STATEMENT OF PROFIT OR LOSS (S$ MILLION)			
Revenue	42.0	30.9	53.8
Gross profit/(loss)	7.1	(0.9)	7.5
Net attributable loss	(14.3)	(29.6)	(19.6)
STATEMENT OF FINANCIAL POSITION (S$ MILLION)			
Non-current assets	39.7	21.7	16.8
Current assets	39.2	30.4	23.6
Non-current liabilities	9.8	8.5	3.6
Current liabilities	38.9	43.5	53.9
Shareholders' equity attributable to owners of the Company	30.2	0.1	(17.1)

REVENUE BY GEOGRAPHY (S$ million)



REVENUE BY SEGMENT (S$ million)



CORPORATE INFORMATION

EXECUTIVE OFFICERS

TAN TOCK HAN
Director of KTL Offshore Pte Ltd

MARK GARETH JOSEPH BERETTA (MARK BERETTA)
Chief Operating Officer

NG KOK PENG
Chief Financial Officer

AUDIT COMMITTEE

KENNY LIM *(Chairman)*
SUNNY WONG

REMUNERATION COMMITTEE

SUNNY WONG *(Chairman)*
KENNY LIM

NOMINATING COMMITTEE

SUNNY WONG *(Chairman)*
KENNY LIM

BOARD OF DIRECTORS

LIM YEOW HUA @ LIM YOU QIN (KENNY LIM)
Non-Executive Chairman and Lead Independent Director
TAN KHENG KUAN (JONATHAN TAN) *Chief Executive Officer*
LIU CHANGSHENG (VICTOR LIU) *Executive Director*
WONG FOOK CHOY SUNNY (SUNNY WONG) *Independent Director*

COMPANY SECRETARIES

ONG BENG HONG
NG KOK PENG

REGISTERED OFFICE

7 Gul Road
Singapore 629364
Telephone : (65) 6543 8888
Facsimile : (65) 6545 2323
Website : www.ktlgroup.com

SHARE REGISTRAR

Tricor Barbinder
Share Registration Services
(A division of Tricor
Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Partner-in-charge: Catherine Cheng
(since financial year ended
31 December 2018)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Ltd
CIMB Bank Berhad (Singapore Branch)

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables it to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect shareholders' interests. This also helps the Company to create long-term value and returns for its shareholders.

The Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") requires all listed companies to describe in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**") issued by the Ministry of Finance in May 2012.

The Company is pleased to report on its corporate governance processes and activities as required by the Code. For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

Statement of Compliance

The Board of Directors of the Company (the "**Board**") confirms that for the financial period ended 31 December 2018 ("**FY2018**"), the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises the following members, all of whom have the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

Lim Yeow Hua @ Lim You Qin ("**Kenny Lim**")	Non-Executive Chairman and Lead Independent Director
Tan Kheng Kuan	Chief Executive Officer
Liu Changsheng	Executive Director
Wong Fook Choy Sunny ("**Sunny Wong**")	Independent Director

The principal functions of the Board, in addition to carrying out its statutory responsibilities, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans;
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets;
- review the Management's performance;
- to set the Group's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and
- to assume the responsibilities of corporate governance.

All directors exercise due diligence and independent judgement, and are obliged to act in good faith and consider at all times the interests of the Company.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly and full-year results and interested person transactions of a material nature.

Directors may request to visit the Group's operating facilities and meet with the Group's management (the "**Management**") to gain a better understanding of the Group's business operations and corporate governance practices. Newly appointed directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. This applied to the newly-appointed directors during FY2018 (to the extent applicable). The Board and NC are also currently identifying suitable candidates to be appointed as new Independent Directors of the Company, and once such candidates have been identified and appointed, the Company will ensure that such directors will also undergo, inter alia, orientation and training as above mentioned.

The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors update the directors on the new or revised financial reporting standards on an annual basis.

To assist in the execution of its responsibilities, the Board has established four Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**"), a Remuneration Committee (the "**RC**") and a Performance Share Scheme Committee (the "**PSSC**"). These committees function within clearly defined written terms of reference and operating procedures.

The Board meets regularly on a quarterly basis and ad hoc Board meetings are convened when they are deemed necessary. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing.

The number of Board and Board Committee meetings held in FY2018 is set out below:

	Board	Board Committees			
		AC	**NC**	**RC**	**PSSC**
Number of meetings held	7	6	2	2	–
	Number of meetings attended				
Tan Tock Han[3]	6	5[1]	2[1]	2[1]	–
Tan Kheng Kuan[2]	7	6[1]	2[1]	2[1]	
Tan Kheng Yeow[4]	2	2[1]	1[1]	1[1]	–
Mark Beretta[5]	6	5[1]	2[1]	2[1]	–
Kenny Lim	7	6	2	2	–
Sunny Wong	7	6	2	2	–
Cheong Hooi Kheng[6]	7	6	2	2	–
Zhao Chengcheng[7]	0	0	0	0	–
Liu Changsheng[8]	0	0	0	0	–

Notes:

(1) Attendance by invitation.

(2) Mr Tan Kheng Kuan was appointed as Chief Executive Officer and Director on 2 November 2017. Notwithstanding this, Mr Tan Kheng Kuan attended the Board and AC meetings held on 2 November 2017 and 24 August 2017 by invitation; and the NC and RC meetings held on 24 August 2017 by invitation.

(3) Mr Tan Tock Han resigned as Executive Chairman and Director of the Company on 28 December 2018. The announcement relating to his cessation as Executive Chairman and Director of the Company was released via SGXNet on 28 December 2018.

(4) Mr Tan Kheng Yeow resigned as Chief Executive Officer and Director of the Company on 2 November 2017. The announcement relating to his cessation as Chief Executive Officer and Director of the Company was released via SGXNet on 2 November 2017.

(5) Mr Mark Beretta resigned as Chief Operating Officer and Executive Director of the Company on 28 December 2018. The announcement relating to his cessation as Chief Operating Officer and Executive Director of the Company was released via SGXNet on 28 December 2018.

(6) Mdm Cheong Hooi Kheng resigned as a Non-Executive Director of the Company on 10 December 2018. The announcement relating to her cessation as a Non-Executive Director of the Company was released via SGXNet on 10 December 2018.

(7) Ms Zhao Chengcheng was appointed as an Independent Director of the Company on 10 December 2018. The announcement relating to Ms Zhao Chengcheng's appointment was released via SGXNet on 10 December 2018. Subsequently, Ms Zhao Chengcheng resigned as an Independent Director of the Company on 18 January 2019. The announcement relating to her cessation as an Independent Director of the Company was released via SGXNet on 21 January 2019.

(8) Mr Liu Changsheng was appointed as an Executive Director of the Company on 10 December 2018. The announcement relating to Mr Liu Changsheng's appointment was released via SGXNet on 10 December 2018.

The Constitution of the Company provide for meetings of the Board to be held by way of telephonic conference.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and substantial shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

As at the date of this Annual Report, the Board comprises four directors, of whom two are independent, namely, Mr Kenny Lim and Mr Sunny Wong. There is a strong independent element on the Board, with independent directors constituting half of the Board. This enables the Board to exercise independent judgement on corporate affairs and provide the Management with a diverse and objective perspective on issues. It also allows the Board to interact and work with the Management through a constructive exchange of ideas and views to shape the strategic process.

The independence of each director is 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. The Board considers an "independent" director to be one who has no relationship with the Company, its related companies, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. The NC and the Board are of the view that all its independent non-executive directors have satisfied the criteria of independence as a result of its review.

The NC and the Board will determine annually whether a director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. The Board observes that Mr Kenny Lim, an Independent Director who has served on the Board for more than nine years, has been exercising independent judgement in the best interests of the Company in the discharge of his duties and should continue to be deemed independent. The Board recognises that he has developed insights into the Group's business and operations over the years, and is therefore able to provide invaluable contributions to the Board. It is also noted that he is able to exercise objective judgement on commercial and corporate governance matters independently. After due consideration and careful assessment, the NC and the Board are of the view that Mr Kenny Lim continues to be considered independent, notwithstanding that he has served on the Board for more than nine years.

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 possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group provides an appropriate balance and diversity of skills, experience, gender and knowledge of the Company, with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the directors who collectively possess the core competencies relevant to the direction and growth of the Group.

Where necessary or appropriate, the non-executive directors on the Board will meet without the presence of the Management. The non-executive directors communicate regularly to discuss matters related to the Group, including the performance of the Management.

The profiles of our directors are set out on page 7 of this Annual Report.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

As at the date of this Annual Report, the roles of Chairman and Chief Executive Officer are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Kenny Lim, the Lead Independent Director, is the Non-Executive Chairman of the Board and Mr Tan Kheng Kuan assumes the role of Chief Executive Officer of the Company.

The separation of the roles of the Chairman and Chief Executive Officer ensures an appropriate balance of power, increased accountability and greater capacity to the Board for independent decision-making. The Chairman is not related to the Chief Executive Officer.

In view of the above, the Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, all of which are chaired by an Independent Director.

The Board collectively ensures the following:

- in consultation with the Management, the scheduling of meetings to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;

- in consultation with the Management, the preparation of the agenda for Board meetings;

- in consultation with the Management, the exercise of control over the quality, quantity and timeliness of information between the Management and the Board and the facilitation of effective contribution from the non-executive directors;

- effective communication with shareholders and compliance with corporate governance best practices; and

- compliance with the Company's guidelines on corporate governance.

As mentioned above, Mr Kenny Lim, as Lead Independent Director, is the contact person for shareholders in situations where there are concerns or issues that communication with the Chief Executive Officer or Chief Financial Officer has failed to resolve or where such communication is inappropriate. Led by the Lead Independent Director, the Independent Directors meet without the presence of the other directors, when deemed necessary and at least once a year.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the director seeking re-election.

The NC comprises Mr Sunny Wong and Mr Kenny Lim, both of whom are independent. The Chairman of the NC is Mr Sunny Wong. The Chairman of the NC is not, and is not directly associated with, any substantial shareholder of the Company.

The Board is currently identifying suitable candidates to be appointed as a new Independent Director of the Company, who shall also be a member of the NC, and once an appropriate candidate has been identified and appointed, the necessary announcement(s) relating to such appointment will be made.

The written terms of reference of the NC have been approved and adopted, and they include the following:

- making recommendations to the Board on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman and the Chief Executive Officer (or equivalent), the development of a process for evaluation of the performance of the Board, its Board Committees and directors, and the review of training and professional development programmes for the Board;

- making recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable), taking into consideration the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour);

- ensuring that all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;

- determining annually, and as and when circumstances require, whether a director (including an alternate director) is independent, bearing in mind Paragraph 2.3 of the Code and any other salient factors;

- deciding if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments; and

- assessing the effectiveness of the Board as a whole and its Board Committees and the contribution by the Chairman and each individual director to the effectiveness of the Board.

The NC determines annually whether a director is independent, taking into consideration the checklist completed by each independent director to confirm his independence. Such checklist is drawn up based on the guidelines provided in the Code. Having made its review, the NC is of the view that Mr Kenny Lim and Mr Sunny Wong have satisfied the criteria for independence.

The Company does not have a formal process for the selection and appointment of new directors to the Board. When the need for a new director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills or to replace a retiring director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board. Pursuant to the Constitution of the Company, one-third of the directors shall retire from office at the Company's annual general meeting and each director is required to retire at least once every three years by rotation. All newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring directors are eligible to offer themselves for re-election.

The dates of initial appointment and last re-election of the directors, together with their directorships in other listed companies, are set out below:–

Director	Position	Date of Initial Appointment	Date of Last Re-election	Current directorships in listed companies	Past directorships in listed companies (in last three years)
Tan Kheng Kuan	Chief Executive Officer	2 November 2017	–	–	–
Kenny Lim	Non-Executive Chairman and Lead Independent Director	31 October 2007	23 October 2017	Accrelist Ltd. KSH Holdings Limited Oxley Holdings Limited	Advanced Integrated Manufacturing Corp. Ltd. China Minzhong Food Corporation Limited Eratat Lifestyle Limited (in liquidation) Yingli International Real Estate Limited
Sunny Wong	Independent Director	16 March 2010	26 October 2016	Excelpoint Technology Ltd. Mencast Holdings Ltd. Civmec Limited InnoTek Limited	China Medical (International) Group Ltd
Liu Changsheng	Executive Director	10 December 2018	–	GS Holdings Limited	–

The Directors retiring at the forthcoming annual general meeting pursuant to Article 104 of the Company's Constitution are Mr Sunny Wong and Mr Kenny Lim. After assessing his contributions and performance, the NC is recommending Mr Kenny Lim for re-election at the forthcoming annual general meeting. Mr Sunny Wong has indicated to the Board that he will not be seeking re-election at the forthcoming annual general meeting. Accordingly, Mr Sunny Wong will cease to be a Director of the Company on the close of the forthcoming annual general meeting.

Additionally, Mr Tan Kheng Kuan was appointed on 2 November 2017 and Mr Liu Changsheng was appointed on 10 December 2018. As such, they shall each be required pursuant to Article 114 of the Company's Constitution to retire at the Company's forthcoming annual general meeting. After assessing each of their contributions and performance, the NC has also recommended the respective elections of Mr Tan Kheng Kuan and Mr Liu Changsheng at the forthcoming annual general meeting.

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 NC is satisfied that sufficient time and attention has been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. The Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold, as each director is able to devote sufficient time and attention to the affairs of the Company. None of the directors hold more than six directorships in listed companies concurrently.

Key information regarding the directors, including their shareholdings in the Company, is set out on pages 7 and 30 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of the Chairman and each individual director to the effectiveness of the Board. Given the size of the Board, the NC is of the view that it is not necessary to assess each Board Committee. The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

The evaluation of individual directors aims to assess whether each director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties. The Non-Executive Chairman will be briefed on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors, in consultation with the NC.

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge its duties effectively. As and when necessary, the directors are furnished with updates on the financial position and any material developments concerning the Group to support their decision-making process. Upon request, the Management will provide any additional information needed for the directors to make informed decisions.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the directors one week in advance of Board meetings, followed by the Board papers, in order for the directors to be adequately prepared for the meetings.

The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times, and may seek independent professional advice, if necessary, at the expense of the Company. The Company Secretary attends all Board and Board Committee meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board or Board Committee meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore, and the SGX-ST Listing Manual. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

7. REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each director.

The RC comprises Mr Sunny Wong and Mr Kenny Lim, both of whom are Non-Executive Directors and independent. The Chairman of the RC is Mr Sunny Wong.

The Board is currently identifying suitable candidates to be appointed as a new Independent Director of the Company, who shall also be a member of the RC, and once an appropriate candidate has been identified and appointed, the necessary announcement(s) relating to such appointment will be made.

The written terms of reference of the RC have been approved and adopted, and they include the following:

- reviewing and recommending for endorsement by the entire Board a general framework of remuneration for the directors and key management personnel;

- reviewing and recommending for endorsement by the entire Board the specific remuneration packages for each director as well as for the key management personnel that covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;

- if necessary, seeking expert advice inside and/or outside the Company on remuneration of all directors, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

- reviewing and recommending to the Board the terms of renewal of the service contracts of directors;

- reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and

- reviewing whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes, and evaluate the costs and benefits of long-term incentive schemes.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has access to advice regarding executive compensation matters, if required.

The RC's recommendations will be submitted for endorsement by the Board. No director is involved in deciding his own remuneration.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the executive directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

The independent directors and non-executive director receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The independent directors are not over-compensated to the extent that their independence may be compromised. Remuneration for the executive directors comprises a basic salary component and a variable component that is the incentive bonus, based on the performance of the Group as a whole.

The Company has entered into fixed-term service agreements with Mr Tan Kheng Kuan and Mr Liu Changsheng. Either party may terminate the service agreements at any time by giving the other party not less than six months' notice in writing for Mr Tan Kheng Kuan and three months' notice in writing for Mr Liu Changsheng, or in lieu of notice, payment of an amount equivalent to six months' salary and three months' salary respectively based on the director's last drawn monthly salary. The RC is of the view that it is currently not necessary to have contractual provisions to allow the Company to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatements of financial statements, or of misconduct resulting in financial loss to the Company.

The Company recognises the importance of motivating each employee and in this regard, the KTL Performance Share Scheme (the "**Scheme**") which was approved at the extraordinary general meeting ("**EGM**") on 23 October 2009 for a term of 10 years shall be renewed at the forthcoming AGM. Details on the Scheme are set out in the letter to shareholders dated 12 June 2019 issued by the Company and appended to this Report. The Scheme is administered by the PSSC, comprising Mr Sunny Wong and Mr Kenny Lim.

9. DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Board is of the view that full disclosure of the specific remuneration of each individual director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

The level and mix of remuneration paid or payable to the directors and executive officers for FY2018 are set out as follows:–

Remuneration bands	Salary & CPF %	Bonus & CPF %	Director's Fee[1] %	Other Benefits %	Total %
Directors					
$500,000 to less than $750,000					
Tan Tock Han[2]	78.1	–	–	21.9	100.0
Mark Beretta[3]	75.4	–	–	24.6	100.0
$400,000 to less than $500,000					
Tan Kheng Kuan[4]	81.4	–	–	18.6	100.0
Less than $250,000					
Tan Kheng Yeow[5]	49.6	–	–	50.4	100.0
Liu ChangSheng[6]	100.0	–	–	–	100.0
Zhao Chengcheng[7]	–	–	–	–	–
Cheong Hooi Kheng[8]	–	–	100.0	–	100.0
Kenny Lim	–	–	100.0	–	100.0
Sunny Wong	–	–	100.0	–	100.0

Remuneration bands	Salary & CPF %	Bonus & CPF %	Director's Fee[1] %	Other Benefits %	Total %
Key Management Personnel					
$250,000 to less than $350,000					
Ng Kok Peng	100	–	–	–	100.0
$150,000 to less than $250,000					
Tan Suan Suan[9]	100	–	–	–	100.0
Lim Kor Him[10]	100	–	–	–	100.0
Less than $150,000					
Tan Kheng Kuan[4]	82.4	–	–	17.6	100.0

Notes:

(1) Director's fees are subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

(2) Mr Tan Tock Han resigned as a Director on 28 December 2018.

(3) Mr Mark Beretta resigned as a Director on 28 December 2018.

(4) Mr Tan Kheng Kuan was appointed as Chief Executive Officer and Director on 2 November 2017. Prior to his appointment as Chief Executive Officer, Mr Tan Kheng Kuan was appointed as Director of Administration.

(5) Mr Tan Kheng Yeow resigned as a Director on 2 November 2017.

(6) Mr Liu Changsheng was appointed as an Executive Director of the Company on 10 December 2018.

(7) Ms Zhao Chengcheng was appointed as an Independent Director on 10 December 2018 and has since resigned on 18 January 2019.

(8) Mdm Cheong Hooi Kheng resigned as a Director on 10 December 2018.

(9) Ms Tan Suan Suan is a sibling of Mr Tan Kheng Kuan.

(10) Mdm Lim Kor Him is the wife of Mr Tan Kheng Kuan.

Save as disclosed in Note (9) and (10) above, there were no employees of the Company or its subsidiaries who were immediate family members of any director or the Chief Executive Officer and whose remuneration exceeded S$50,000 during FY2018.

The aggregate remuneration paid to the top four key management personnel of the Group in FY2018 amounted to S$1,092,000.

The Company had first adopted the Scheme on 23 October 2009 and shall be renewing the Scheme for a further term of 10 years at the forthcoming AGM. The Scheme is administered by the PSSC, comprising Mr Sunny Wong and Mr Kenny Lim. Under the Scheme, awards of fully-paid ordinary shares in the capital of the Company in the form of existing shares held as treasury shares and/or new shares will be delivered free of charge, to selected employees of the Group and other selected participants. The aggregate number of shares which may be delivered under the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time. Further details on the Scheme are set out in the letter to shareholders dated 12 June 2019 issued by the Company and appended to this Report.

CORPORATE GOVERNANCE REPORT

During FY2018, 1,914,955 awards were granted under the Scheme.

As at the end of FY2018, awards have been granted under the Scheme as follows:–

Name of participant	Number of shares comprised in awards during FY2018 (including terms)	Aggregate number of shares comprised in awards from commencement of Scheme to end of FY2018	Number of shares comprised in awards which have been issued and/or transferred since commencement of Scheme to end of FY2018	Number of shares comprised in awards not vested as at end of FY2018
Director				
Mark Beretta	–	2,832,903	2,832,903	–

As at the end of FY2018, no awards of shares have been granted under the Scheme to controlling shareholder or its associates and no participants have received shares which in aggregate represent 5% or more of the total number of shares available under the Scheme.

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's performance, financial position and prospects. The objectives of the presentation of the annual financial statements and quarterly announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and position, and prospects. In line with the rules of the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

11. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The external and internal auditors conduct annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Chief Executive Officer and Chief Financial Officer referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2018.

12. AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.

The AC comprises Mr Kenny Lim and Mr Sunny Wong, all of whom are Non-Executive Directors and independent. The Chairman of the AC is Mr Kenny Lim. No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient financial management expertise, as interpreted by the Board in its business judgement, to discharge the AC's functions.

The Board is currently identifying suitable candidates to be appointed as a new Independent Director of the Company, who shall also be a member of the AC, and once an appropriate candidate has been identified and appointed, the necessary announcement(s) relating to such appointment will be made.

The written terms of reference of the AC have been approved and adopted, and they include the following:

- reviewing the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;

- reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;

- reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and any such other information required by the SGX-ST Listing Manual, before submission to the Board for approval;

- reviewing and discussing with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

- reviewing the co-operation given by the Management to the external auditors;

- reviewing the independence of the external auditors annually and stating (a) the aggregate amount of fees paid to the external auditors for that financial year and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the Company annual report;

- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving remuneration and terms of engagement of the external auditors;

- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually;

- reviewing and/or ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management (such review may be carried out internally or with the assistance of any competent third parties);

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

- reviewing any potential conflicts of interest;

- approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

- reviewing the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to maintain objectivity;

- approving internal control procedures and arrangements for all interested person transactions;

- reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the Board; and

- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external auditors, and with the internal auditors, without the presence of the Management, at least annually.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

The fees paid by the Company to the external auditors in FY2018 for audit services amounted to $109,000. There were no fees paid by the Company to the external auditors in FY2018 for non-audit services. The AC, having undertaken a review of all non-audit services provided by the external auditors, is of the opinion that such services would not affect the independence of the external auditors.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimisation for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. Contact details of the AC have been made available to all employees.

13. INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. 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 AC approves the appointment of the internal auditors. The internal auditors report directly to the Chairman of the AC and administratively to the Chief Executive Officer. The internal auditor has full access to the Company's documents, records, properties and personnel. The AC is satisfied that the internal audit firm is staffed by suitably qualified and experienced persons.

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 monitoring of the implementation of improvements required on internal control weaknesses identified. The internal auditors carry out their work in accordance with The Committee of Sponsoring Organizations of the Treadway Commission framework.

The AC is satisfied with the adequacy and effectiveness of the Company's internal audit function and is of the view that the Company's internal audit function is independent, effective and adequately resourced.

14. SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers and through reports or circulars sent to all shareholders and via SGXNet. The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

15. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises that effective communication leads to transparency and enhances accountability. The Company's quarterly and full year results announcements, announcements and press releases are issued via SGXNet. The Company discloses all material information in a timely manner to its shareholders via these announcements and press releases and ensures that price-sensitive information is publicly released and is announced within the mandatory period. The Company does not practise selective disclosure. Where there is inadvertent disclosure made to a select group, the Company will endeavour to make the same disclosure publicly to all others promptly.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

16. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders of the Company receive the Annual Report and the notice of the annual general meeting. The notice will also be advertised in a local newspaper and made available on SGXNet. The Company encourages shareholders' participation at annual general meetings. The Constitution of the Company currently allows a shareholder of the Company to appoint up to two proxies to attend and vote at general meetings in place of the shareholder, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

All shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of each of the Board Committees. The Company's external auditors are also present to assist the Board in addressing any queries from shareholders relating to the conduct of audit and the preparation and content of the auditor's report. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

The Company also ensures that there are separate resolutions at general meetings on each distinct issue and supports the Code's principles as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications. The Company will put all resolutions to vote by poll and announce the detailed results after the conclusion of the AGM.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

In compliance with the best practices set out in the SGX-ST Listing Manual on dealings in securities, directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company prohibits dealings in its shares by its officers and employees during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements, and ending on the date of the announcement of the results.

RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks, as well as appropriate measures through which to control and mitigate these risks. The Management reviews all significant control policies and procedures, and highlights all significant matters to the Board and the AC.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Save as disclosed below, there were no material contracts of the Group involving the interests of the Chief Executive Officer, each director or controlling shareholder, either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

There was no interested person transaction, as defined in Chapter 9 of the SGX-ST Listing Manual, above $100,000 entered into by the Group during FY2018. However, the following is disclosed, for completeness:

Name of interested person	Aggregate value of all interested person transactions during FY2018 (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (S$'000)
Tan Tock Han	30	–
Tan Kheng Yeow	84	–
Asia Pacific Business Consultants Pte. Ltd.(1)	33	–
Wong Tan & Molly Lim LLC(2)	65	–

Notes:

(1) Asia Pacific Business Consultants Pte. Ltd. is an associate (as defined under the SGX-ST Listing Manual) of Mr Kenny Lim and provided professional services to the Group during FY2018. Mr Kenny Lim was not personally involved in the professional services provided by Asia Pacific Business Consultants Pte. Ltd. and such services were provided by other directors and associates of Asia Pacific Business Consultants Pte. Ltd.

(2) Wong Tan & Molly Lim LLC is an associate (as defined under the SGX-ST Listing Manual) of Mr Sunny Wong and provided professional services to the Group during FY2018. Mr Sunny Wong was not personally involved in the professional services provided by Wong Tan & Molly Lim LLC and such services were provided by other directors and associates of Wong Tan & Molly Lim LLC.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

As announced on 23 November 2018, the completion of the placement of 47,000,000 shares in the Company to Changsheng Investment Development Limited (the "**Placement**") had taken place and upon such completion, the net proceeds of the Placement will be approximately S$885,000. Please refer to the Company's announcements dated 5 November 2018, 19 November 2018 and 23 November 2018 for more details (the "**Announcements**").

As at the date of this Annual Report, the status on the use of the proceeds from the Placement is as follows:

Purpose	Amount allocated S$'000	Amount Utilised S$'000	Balance S$'000
Expansion of the business of the Group through investments, acquisition, joint ventures or strategic alliances	88.5	50.0	38.5
General working capital purposes(1)	796.5	709.8	86.7
Total	885.0	759.8	125.2

Note:

(1) Utilisation for general working capital includes S$596,725 for salary and remuneration expenses and S$113,088 for listing and compliance costs.

The above utilisation of net proceeds is consistent with the use of proceeds disclosed in the Announcements.

MATERIAL CONTRACTS

Save as previously announced by the Company via SGXNet, there are no material contracts entered into by the Group involving the interest of any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group") for the financial period from 1 July 2017 to 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 36 to 43 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial period from 1 July 2017 to 31 December 2018; and

(b) at the date of this statement, with continuing financial support from the controlling shareholders, 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.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Lim Yeow Hua @ Lim You Qin	
Wong Fook Choy Sunny	
Tan Kheng Kuan	(Appointed on 2 November 2017)
Liu Changsheng	(Appointed on 10 December 2018)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		**Deemed interests**	
	At 1 July 2017 or date of appointment, if later	**At 31 December 2018**	**At 1 July 2017 or date of appointment, if later**	**At 31 December 2018**
Company				
Ordinary shares				
Tan Kheng Kuan	977,756	**977,756**	123,200,000	**123,200,000**
Liu Changsheng	–	**–**	–	**47,000,000**

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Direct interests		Deemed interests	
	At 1 July 2017 or date of appointment, if later	At 31 December 2018	At 1 July 2017 or date of appointment, if later	At 31 December 2018
Holding Company				
– Kim Teck Leong Pte. Ltd.				
Ordinary shares				
Tan Kheng Kuan	20	**20**	–	**–**
Tan Tock Han/Tan Kheng Kuan*	10	**10**	–	**–**

* The shares are jointly held by Tan Kheng Kuan and his father Tan Tock Han who is a former director of the Company.

There was no change in any of the above-mentioned interest in the Company and its related corporation between the end of the financial period and 21 January 2019.

By virtue of section 7 of the Singapore Companies Act, Cap 50, Mr. Tan Kheng Kuan is deemed to have an interest in the whole of the share capital of the Company's subsidiaries.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

During the financial period, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial period.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. The functions performed are detailed in the Corporate Governance Report.

INDEPENDENT AUDITORS

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

TAN KHENG KUAN
Director

LIU CHANGSHENG
Director

29 May 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KTL GLOBAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 35 to 106, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial period from 1 July 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes of equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial period from 1 July 2017 to 31 December 2018.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements. The Group incurred a net loss of $19,606,000 for the current financial period from 1 July 2017 to 31 December 2018 and reported negative operating cash flows of $2,662,000. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $30,295,000 and the available cash balances of $2,453,000 are not sufficient to settle the outstanding bank loans and bills payables of $24,910,000 and $4,721,000 respectively. These events or conditions indicate an existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw your attention to Note 36 to the financial statements, which describes the investigations by the Monetary Authority of Singapore and the Commercial Affairs Department. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KTL GLOBAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<table>
<tr><td colspan="2">Impairment of non-current assets – property, plant and equipment and investments in subsidiaries
(Refer to following notes to the financial statements
~ Notes 3, 6, and Note 2 "Critical accounting estimates, assumptions and judgements")</td></tr>
<tr><td>Key Audit Matters</td><td>How we addressed the risk</td></tr>
<tr><td>As at 31 December 2018, the Group's property, plant and equipment amounted to $11,143,000 after an impairment loss of $2,974,000 recognised in profit or loss during the current financial period. The Company's cost of investments in subsidiaries amounted to $51,000 after an impairment loss of $13,160,000 recognised in profit or loss during the current financial period.

In view of the Group's loss position, management has performed impairment assessment on these non-current assets based on the discounted cash flows projection of the relevant cash generating unit ("CGU") to determine the respective value-in-use.

We considered this to be a key audit matter because of the significance of these non-current assets and the element of estimates and judgements required in determining the value-in-use of these non-current assets.</td><td>Our audit of the value-in-use of property, plant and equipment of the Group and the investment in subsidiaries of the Company focused on the management's assessment of the value-in-use.

Our key procedures applied include, amongst others:
• Challenge the reasonableness of the revenue growth rates, gross profit margin and the discount rate used by management in the discounted cash flows of the CGUs against the past and recent performance, trend analysis, market expectation and the Group's marketing plan;
• Perform stress-test analysis to assess the impact on the value-in-use of the CGUs resulting from reasonably possible changes to the revenue growth rates, gross profit margin and discount rate; and
• Evaluate the adequacy of impairment made on property, plant and equipment and investments in subsidiaries.

Based on the above audit procedures performed, we noted management's key assumptions to be reasonable. We have also considered the Group's disclosures made in the consolidated financial statements to be adequate.</td></tr>
<tr><td colspan="2">Valuation of inventories
(Refer to following notes to the financial statements
~ Note 12 and Note 2 "Critical accounting estimates, assumptions and judgements")</td></tr>
<tr><td>Key Audit Matters</td><td>How we addressed the risk</td></tr>
<tr><td>As at 31 December 2018, the net carrying amount of inventories amounted to $12,953,000 which is stated after a write-down of $2,117,000 to the lower of cost and net realisable values (NRV).

The estimation of NRV involves significant judgements about the future market demand and estimated selling price or scrap value of inventory items.

We considered this to be a key audit matter because a change in the management's estimate of NRV could have a material impact on the carrying amounts of inventories.</td><td>Our audit of inventories valuation focused on evaluating and challenging the management's assessment of NRV.

Our key procedures applied include, amongst others:
• Evaluate and test key internal controls of purchasing cycle together with the costing computation;
• Test the inventories ageing report for its accuracy and reliability;
• Discuss with management to obtain understanding of the inventory management plans for slow moving and obsolete inventories and the basis of NRV; and
• Challenge the reasonableness of NRV by taking into consideration recent sales trend, latest selling price and current market condition.

Based on the above audit procedures performed, we found the carrying value of the inventory and write-down made in accordance with management's policy to be supportable on the basis of historical trends as well as management's inventory management plans.</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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 Cheng Sam Tai Catherine.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

29 May 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018
(Amounts in Singapore dollars)

	Note	Group		Company	
		As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**11,143**	14,545	**–**	–
Prepaid land lease	4	**3,074**	3,174	**–**	–
Investment properties	5	**1,655**	2,062	**–**	–
Subsidiaries	6	**–**	–	**51**	13,161
Associates	7	**–**	–	**–**	–
Joint ventures	8	**502**	479	**–**	–
Due from subsidiaries	9(a)	**–**	–	**–**	6,961
Other receivables, deposits and prepayments	10	**401**	150	**–**	–
Deferred tax assets	11	**–**	1,261	**–**	–
		16,775	21,671	**51**	20,122
Current assets					
Inventories	12	**12,953**	17,498	**–**	–
Trade receivables	13	**6,916**	7,199	**–**	–
Other receivables, deposits and prepayments	10	**1,126**	2,242	**8**	7
Income tax receivable		**–**	10	**–**	–
Due from subsidiaries	9(a)	**–**	–	**–**	5,970
Due from associate and joint venture companies	9(b)	**198**	56	**–**	–
Cash and bank balances	14	**2,453**	1,363	**748**	13
		23,646	28,368	**756**	5,990
Non-current asset classified as held for sale	15	**–**	2,068	**–**	2,068
		23,646	30,436	**756**	8,058
TOTAL ASSETS		**40,421**	52,107	**807**	28,180

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018
(Amounts in Singapore dollars)

	Note	Group		Company	
		As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
LIABILITIES					
Current liabilities					
Trade payables		**5,143**	6,592	**–**	–
Bills payables	16	**4,721**	3,565	**–**	–
Other payables and accruals	17	**7,033**	4,993	**423**	254
Due to controlling shareholders	9(c)	**11,625**	1,000	**–**	–
Interest-bearing loans and borrowings	18	**25,408**	27,379	**–**	–
Income tax payable		**11**	–	**11**	12
		53,941	43,529	**434**	266
Non-current liabilities					
Other payables	17	**2,799**	1,374	**–**	–
Interest-bearing loans and borrowings	18	**783**	6,916	**–**	–
Deferred tax liabilities	11	**–**	175	**–**	–
		3,582	8,465	**–**	–
TOTAL LIABILITIES		**57,523**	51,994	**434**	266
NET (LIABILITIES)/ASSETS		**(17,102)**	113	**373**	27,914
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	**36,776**	34,836	**36,776**	34,836
Treasury shares	20	**–**	(286)	**–**	(286)
Reserves	21	**(53,951)**	(34,468)	**(36,403)**	(6,636)
Reserve attributable to non-current asset held for sale	15	**–**	(12)	**–**	–
		(17,175)	70	**373**	27,914
Non-controlling interests		**73**	43	**–**	–
TOTAL (DEFICIT)/EQUITY		**(17,102)**	113	**373**	27,914

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

	Note	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Revenue	22	**53,803**	30,882
Cost of sales		**(46,349)**	(31,805)
Gross profit/(loss)		**7,454**	(923)
Other operating income	23	**2,414**	1,966
Administrative expenses		**(15,691)**	(11,903)
Sales and marketing expenses		**(3,694)**	(2,565)
Other operating expenses	23	**(6,475)**	(15,021)
Share of results of joint venture companies	8	**–**	(228)
Share of results of associates	7	**–**	44
Finance costs	25	**(2,493)**	(1,360)
Loss before tax	26	**(18,485)**	(29,990)
Income tax (expense)/credit	27	**(1,121)**	356
Loss for the period/year		**(19,606)**	(29,634)
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
– Currency translation differences arising from consolidation		**383**	(448)
– Transfer of reserve on disposal of associate held for sale	15	**12**	–
Other comprehensive income/(loss), net of tax		**395**	(448)
Total comprehensive loss for the period/year		**(19,211)**	(30,082)
Loss attributable to:			
Equity holders of the Company		**(19,636)**	(29,610)
Non-controlling interests		**30**	(24)
		(19,606)	(29,634)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(19,241)**	(30,058)
Non-controlling interests		**30**	(24)
		(19,211)	(30,082)
Loss per share (cents)	28		
Basic		**(7.54)**	(12.30)
Diluted		**(7.54)**	(12.30)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

2018 Group	Attributable to equity holders of the Company										
	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Premium paid on acquisition of non-controlling interest $'000	Translation deficit $'000	Statutory reserve fund $'000	Accumulated losses $'000	Reserve attributable to non-current asset held for sale $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017	34,836	(286)	(476)	(60)	(2,974)	15	(30,973)	(12)	70	43	113
Loss for the period	–	–	–	–	–	–	(19,636)	–	(19,636)	30	(19,606)
Other comprehensive income, net of tax	–	–	–	–	383	–	–	12	395	–	395
Total comprehensive loss for the period	–	–	–	–	383	–	(19,636)	12	(19,241)	30	(19,211)
Contributions by and distributions to owners											
Reissue of treasury shares	–	286	(230)	–	–	–	–	–	56	–	56
Issuance of share capital (Note 19)	1,940	–	–	–	–	–	–	–	1,940	–	1,940
Total contributions by and distributions to owners	1,940	286	(230)	–	–	–	–	–	1,996	–	1,996
Balance at 31 December 2018	**36,776**	**–**	**(706)**	**(60)**	**(2,591)**	**15**	**(50,609)**	**–**	**(17,175)**	**73**	**(17,102)**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

2017 Group	Attributable to equity holders of the Company										
	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Premium paid on acquisition of non-controlling interest $'000	Translation deficit $'000	Statutory reserve fund $'000	Accumulated losses $'000	Reserve attributable to non-current asset held for sale $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2016	34,836	(274)	(488)	–	(2,538)	15	(1,363)	–	30,188	7	30,195
Loss for the year	–	–	–	–	–	–	(29,610)	–	(29,610)	(24)	(29,634)
Other comprehensive loss, net of tax	–	–	–	–	(448)	–	–	–	(448)	–	(448)
Total comprehensive loss for the year	–	–	–	–	(448)	–	(29,610)	–	(30,058)	(24)	(30,082)
Transfer of reserve attributable to non-current asset held for sale (Note 15)	–	–	–	–	12	–	–	(12)	–	–	–
Contributions by and distributions to owners											
Acquisition of non-controlling interest without a change in control (Note 6)	–	–	–	(60)	–	–	–	–	(60)	60	–
Adjustment of treasury shares	–	(12)	12	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	(12)	12	(60)	–	–	–	–	(60)	60	–
Balance at 30 June 2017	34,836	(286)	(476)	(60)	(2,974)	15	(30,973)	(12)	70	43	113

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

Company	**Share capital $'000**	**Treasury shares $'000**	**Treasury shares reserve $'000**	**Accumulated losses $'000**	**Total reserve $'000**	**Total equity $'000**
Balance at 1 July 2017	34,836	(286)	(476)	(6,160)	(6,636)	27,914
Loss for the period	–	–	–	(29,537)	(29,537)	(29,537)
Total comprehensive loss for the period	–	–	–	(29,537)	(29,537)	(29,537)
Contributions by and distributions to owners						
Reissue of treasury shares	–	286	(230)	–	(230)	56
Issuance of share capital (Note 19)	1,940	–	–	–	–	1,940
Total contributions by and distributions to owners	1,940	286	(230)	–	(230)	1,996
Balance at 31 December 2018	**36,776**	**–**	**(706)**	**(35,697)**	**(36,403)**	**373**
Balance at 1 July 2016	34,836	(274)	(488)	190	(298)	34,264
Loss for the year	–	–	–	(6,350)	(6,350)	(6,350)
Total comprehensive loss for the year	–	–	–	(6,350)	(6,350)	(6,350)
Contributions by and distributions to owners						
Adjustment to treasury shares	–	(12)	12	–	12	–
Total contributions by and distributions to owners	–	(12)	12	–	12	–
Balance at 30 June 2017	34,836	(286)	(476)	(6,160)	(6,636)	27,914

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

	Note	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Cash flows from operating activities			
Loss before tax		**(18,485)**	(29,990)
Adjustments:			
Reversal of impairment loss on prepaid land lease	4	**–**	(43)
Reversal of impairment loss on investment properties	5	**(15)**	(50)
(Reversal of)/Impairment loss on investment in joint venture	8	**(23)**	23
Impairment loss on investments in associates	7	**–**	4,941
Impairment on plant and equipment	3	**2,974**	7,772
Plant and equipment written off	3	**187**	770
(Reversal of)/Allowance for impairment on amounts due from an associate and a joint venture company	9	**(460)**	984
Depreciation of property, plant and equipment	3	**2,424**	4,069
Depreciation of investment properties	5	**64**	43
Amortisation of prepaid land lease	4	**186**	121
(Reversal of)/Allowance for slowing moving and obsolete inventories	12	**(453)**	2,398
Inventories written off	12	**984**	509
(Reversal of)/Allowance for doubtful debts	32(iii)	**(273)**	280
(Gain)/Loss on disposal of property, plant and equipment	23	**(11)**	58
Interest expense	25	**2,493**	1,360
Share of results of joint venture companies	8	**–**	228
Share of results of associates	7	**–**	(44)
Equity-settled employee benefits	20	**56**	–
Foreign exchange loss		**592**	–
Operating loss before working capital changes		**(9,760)**	(6,571)
Inventories		**2,969**	5,145
Trade receivables		**394**	1,027
Other receivables, deposits and prepayments		**460**	(1,358)
Trade payables		**(232)**	1,661
Other payables and accruals		**3,510**	993
Due to a related party		**–**	(4)
Cash (used in)/generated from operations		**(2,659)**	893
Income tax refund/(paid)		**21**	(60)
Withholding tax paid		**(24)**	(14)
Net cash (used in)/from operating activities		**(2,662)**	819

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars)

	Note	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment	A	**(734)**	(575)
Proceeds from disposal of property, plant and equipment		**431**	216
Proceeds from disposal of investments, classified as held for sale		**2,068**	–
Advances to associates		**(261)**	(246)
Net cash from/(used in) investing activities		**1,504**	(605)
Cash flows from financing activities			
Issuance of share capital	19	**940**	–
Loan from controlling shareholders		**12,148**	1,000
Proceeds from interest-bearing loans and borrowings		**–**	4,957
Repayments of interest-bearing loans and borrowings		**(8,365)**	(5,175)
Financing cash flows related to liabilities	18(iii)	**3,783**	782
Interest paid		**(2,493)**	(1,360)
Withdrawal of fixed deposits		**–**	294
Net cash from/(used in) financing activities		**2,230**	(284)
Net increase/(decrease) in cash and cash equivalents		**1,072**	(70)
Cash and cash equivalents at beginning of period/year		**1,363**	1,419
Effects of exchange rate changes in cash and cash equivalents		**18**	14
Cash and cash equivalents at end of period/year	14	**2,453**	1,363

Note A

	Note	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Total additions to property, plant and equipment	3	**1,016**	625
Add: Amount paid in (prior year)/current year as prepayment		**(21)**	21
Less: Amount financed through finance lease		**(261)**	(71)
Purchase of property, plant and equipment per consolidated statement of cash flows		**734**	575

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

KTL Global Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX"). The address of the Company's registered office and its principal place of business is at 7 Gul Road, Singapore 629364.

The Company's immediate and ultimate holding company is Kim Teck Leong Pte. Ltd., incorporated in Singapore. Kim Teck Leong Pte. Ltd. is controlled by the Tan Family, represented by Tan Tock Han, Tan Kheng Yeow and Tan Kheng Kuan. Thereinafter, Kim Teck Leong Pte. Ltd. and the Tan Family are collectively defined as controlling shareholders of the Group and Company.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 6.

On 29 June 2018, the Company changed its financial year end from 30 June to 31 December. Accordingly, the current financial period covers a period of 18 months from 1 July 2017 to 31 December 2018.

The financial statements for the financial period from 1 July 2017 to 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group incurred a net loss of $19,606,000 (30 June 2017: $29,634,000) and negative operating cash flows of $2,662,000 for the financial period from 1 July 2017 to 31 December 2018 (30 June 2017: positive operating cash flows of $819,000). As at 31 December 2018, the Group's current liabilities exceeded its current assets by $30,295,000 (30 June 2017: $13,093,000) and the available cash balances of $2,453,000 are not sufficient to settle the outstanding bank loans and bills payables of $24,910,000 and $4,721,000 respectively.

These events or conditions indicate an existence of a material uncertainty that may cast significant doubts on the Group's and Company's ability to continue as a going concern.

Management has prepared these financial statements on a going concern basis after taking into consideration the following factors:

(a) On 6 May 2019, the Group obtained approval from banks for a 2-year extension of its outstanding loan of $15,526,000 as at 31 December 2018 (Loan 2 in Note 18) to a revised maturity date on 22 April 2021;

(b) On 22 March 2019, the Group obtained email approval from SPRING Singapore and the bank to defer the principal repayment of $5,000,000 as at 31 December 2018 (Loan 5 in Note 18) from March 2019 to March 2020;

(c) On 4 March 2019, the Company announced the issuance of the zero coupon convertible bonds amounting to $5,350,000 (Note 35). Subject to the approval by SGX and shareholders, approximately 20% of the proceeds will be used for general working capital purposes;

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation (Continued)

(d) The controlling shareholders have undertaken to provide continuing financial support to the Group and Company to operate as going concern and pay the debts as and when necessary, including not to recall payments owing to them amounting to $11,625,000 (Note 9) and not drawing or drawing partial salaries from the Group for the executive positions held, unless the Group and Company have sufficient fund to pay other liabilities in full for next 12 months;

(e) The Group will be able to generate sufficient operating cash flows to meet its working capital and financing obligations;

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

(g) The Group will be able to divest certain non-current assets as and when necessary, including divesting its investment properties at market value.

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

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("SFRS"). The financial statements are presented in Singapore dollars ("$") and all values are rounded to the nearest thousand ($'000) as indicated.

The preparation of the financial statements in conformity with SFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

On 1 July 2017, the Group adopted the new or amended SFRS and Interpretations of SFRS ("INT SFRS") 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 and INT SFRS. The adoption of these new or amended SFRS and INT SFRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial period/years, except as disclosed below:

Amendments to FRS 7: Disclosure Initiative

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 18. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 18, the application of these amendments has had no impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards, Singapore Financial Reporting Standards (International) (SFRS(I)) for annual reporting periods beginning on or after 1 January 2018. The Group has adopted the new financial reporting framework on 1 January 2019. The Group's financial statements for the financial year ending 31 December 2019 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current SFRS.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SFRS(I) 1 *First-time Adoption of Financial Reporting Standards*.

In addition to the adoption of the new framework, the Group has not adopted the following standards and interpretations under SFRS(I) framework that have been issued but not yet effective:

Descriptions	**Effective for annual periods beginning on or after**
SFRS(I) 15 *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
SFRS(I) 9 *Financial Instruments*	1 January 2018
Amendments to SFRS(I) 2: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to SFRS(I) 1-40: *Transfers of Investment Property*	1 January 2018
Improvements to SFRS(I) Standards 2014-2016 cycle (December 2016)	
– SFRS(I) 1 *First-time Adoption of Financial Reporting Standards*	1 January 2018
– SFRS(I) 1-28 *Investments in Associates and Joint Ventures*	1 January 2018
SFRS(I) INT 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to SFRS(I) 4: *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts*	1 January 2018

(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Descriptions	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Improvements to SFRS(I)s 2015-2017 cycle (March 2018)	
– SFRS(I) 3: *Business Combinations*	1 January 2019
– SFRS(I) 11: *Joint Arrangements*	1 January 2019
– SFRS(I) 1-12: *Income Taxes*	1 January 2019
– SFRS(I) 1-23: *Borrowing Costs*	1 January 2019
Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
SFRS(I) 17: *Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the new or amended standards and interpretations above will have no material impact on the financial statements in the period of initial application, except for the impending changes in accounting policy on adoption of the followings:

<u>SFRS(I) 15 *Revenue from Contracts with Customers*</u>

SFRS(I) 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including SFRS 18 Revenue, SFRS 11 Construction Contracts and the related Interpretations when it becomes effective in financial year 2019.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. The Group is in the process of assessing the terms of the Group's sales contract, including but not limited to, the services-rendered, warranty, shipping term, pricing, rebates and etc. which is relevant in respect of identifying performance obligations, allocating and estimating consideration within contracts with customers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces SFRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. SFRS(I) 9 also introduces a new forward-looking expected credit loss (ECL) impairment model and adds detailed guidance on impairment-related presentation and disclosures. SFRS(I) 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of SFRS(I) 9 or continue to apply the existing hedge accounting requirements in SFRS (I) 1-39 for all hedge accounting.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group would apply the simplified approach and record lifetime ECL on its trade receivables and is in the process of calculating the impact of SFRS(I) 9 on impairment allowance which would adjust against accumulated loss as at 1 January 2019.

SFRS(I) 16 *Leases*

This new standard on leases supersedes the previous standard (SFRS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, SFRS(I) 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. SFRS(I) 16 is effective for annual reporting periods beginning on or after 1 January 2019.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $1,152,000, which are an appropriate indicator of the SFRS(I) 16 implementation impact on the Group's consolidated statement of financial position. The Group has adopted SFRS(I) 16 on 1 January 2019 and will apply the modified retrospective approach for the transition. The Group expects to recognise right-of-use assets and lease liabilities for its leases currently classified as operating leases.

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

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity considers whether it is probable that the tax authority will accept the entity's tax treatment. When it is probable, an entity determines the accounting tax position consistently with the tax treatment used or planned to be used in the entity's income tax filings. Otherwise, an entity should estimate the effect of uncertainty using either the most likely amount or the expected value method, whichever method better predicts the resolution of the uncertainty. Consistent judgements and estimates should be made for both current tax and deferred tax. The interpretation is effective for annual periods beginning on or after 1 January 2019. An entity can apply the interpretation using either full retrospective (without use of hindsight) or modified retrospective approach (without restating comparative information).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(iii) Associates

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(iii) Associates (Continued)

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence are retained are recognised in profit or loss.

(iv) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share control over the economic activity of the entities with one or more parties. The Group recognises its interest in the joint venture using proportionate consolidation method. Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (see the accounting policy for borrowing costs as set out in this Note). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold building	30 to 50
Plant and machinery	5 to 15
Motor vehicles	5 to 10
Furniture and fittings	5
Office equipment	5
Renovation	5
Computers	5

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other operating income/(expenses)".

Prepaid land lease

Prepaid land lease are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 30 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The properties are continued to be depreciated over its remaining useful life.

	Useful lives (Years)
Investment properties	50

The useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in statement of profit or loss and other comprehensive income in the year of retirement or disposal within “Other operating income/(expenses)”.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group has no financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

(ii) Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including amounts due from related parties.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Finished goods comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at reporting date, there were no financial liabilities at fair value through profit or loss.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, 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 profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT SFRS 104.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(ii) As lessee (Continued)

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share capital and treasury shares

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

When ordinary shares are reacquired ("treasury shares"), the amount of consideration paid including any directly attributable incremental costs is presented as a component within equity, until they are cancelled, sold or reissued. When treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company, if the shares are purchased out of earnings of the Company. When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the treasury shares reserve of the Company.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services:

Revenue from inspection and certification of offshore rigging equipment, spoiling, training and wire rope fabrication is recognised over the period in which the services are rendered.

Revenue from rental of equipment on short term operating lease is recognised on a straight-line basis over the lease terms.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 31 DECEMBER 2018
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension schemes.

Malaysia

The Company makes contribution to the Employee Provident Fund (EPF) Scheme in Malaysia, a defined contribution pension schemes.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

(iii) Share-based compensation

Employees of the Group receive remuneration in the form of the fully paid treasury shares as consideration for services rendered. The cost of these share-based payment transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted which takes into account market conditions. This cost is recognised in profit or loss, with a corresponding increase in the equity.

(iv) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group and 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 Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and 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 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 entity 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.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Chief Executive Officer) responsible for allocating resources and assessing performance of the operating segments.

Non-current assets held-for-sale

Non-current assets (or disposal groups) is classified as assets held for sale when the sale is highly probable and the assets or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These non-current assets are not depreciated or amortised while they are classified as held for sale.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. In estimating the future cash flows, management has taken into account past performance, market expectation and the Group's marketing plan.

The carrying amounts and further details of the key assumptions and the sensitivity analysis for the impairment assessment of property, plant and equipment and subsidiaries are disclosed in Notes 3 and 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Adjustment for lower of cost and net realisable value of inventories

Management of the Group reviews the aging analysis of inventories at the end of each period, and makes adjustment for stock items that are identified as obsolete and slow-moving. Management estimates the net realisable value for goods for resale based primarily on recent sales trend, latest selling prices and current market conditions. Management also estimate the net realisable value of obsolete items at scrap value which is in accordance with management's inventory management plan. The carrying amount of inventories and the expense recognised on the write-down are disclosed in Note 12 to the financial statements.

(c) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade receivables and its related allowance for doubtful debts are disclosed in Notes 13 and 32 (iii) to the financial statements.

If 10% (30 June 2017: 10%) of all past due but not impaired trade receivables are not collected, the Group's allowance for impairment will increase by $376,000 (30 June 2017: $638,000).

(d) Income tax

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Income tax (Continued)

The Group has unutilised capital allowances and tax losses totalling $9,202,000 and $26,992,000 (30 June 2017: $4,183,000 and $17,050,000) respectively, for which was not recognised as deferred tax assets due to uncertainty of recovery. The unutilised tax losses and allowances do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the further recognition of deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, loss for the year would decrease by $6,710,000 (30 June 2017: $3,861,000).

(e) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 31 December 2018 is disclosed in Note 3.

(ii) Critical judgements in applying the entity's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Cost								
As at 1 July 2016	7,398	31,032	2,150	1,543	465	2,197	1,305	46,090
Additions	–	442	125	1	1	51	5	625
Disposals	–	(419)	(65)	–	–	–	(6)	(490)
Written off	–	(1,430)	–	(327)	(123)	–	(312)	(2,192)
Exchange differences	(119)	(137)	1	6	(1)	1	(1)	(250)
As at 30 June 2017	7,279	29,488	2,211	1,223	342	2,249	991	43,783
As at 1 July 2017	7,279	29,488	2,211	1,223	342	2,249	991	43,783
Additions	–	152	466	48	42	271	37	1,016
Disposals	–	(170)	(822)	(66)	(8)	–	–	(1,066)
Written off	–	(12,991)	–	–	–	(217)	–	(13,208)
Transferred from investment properties (Note 5)	436	–	–	–	–	–	–	436
Transfer from inventories	–	1,041	–	–	–	–	–	1,041
Exchange differences	107	134	3	(2)	1	1	(2)	242
As at 31 December 2018	**7,822**	**17,654**	**1,858**	**1,203**	**377**	**2,304**	**1,026**	**32,244**
Accumulated depreciation and impairment loss								
As at 1 July 2016	533	12,963	743	1,518	395	1,808	1,068	19,028
Charge for the year	203	3,306	230	11	21	194	104	4,069
Disposals	–	(146)	(64)	–	–	–	(6)	(216)
Written off	–	(660)	–	(327)	(123)	–	(312)	(1,422)
Impairment loss	–	7,610	82	3	19	55	3	7,772
Exchange differences	(5)	–	–	7	–	5	–	7
As at 30 June 2017	731	23,073	991	1,212	312	2,062	857	29,238
As at 1 July 2017	731	23,073	991	1,212	312	2,062	857	29,238
Charge for the period	309	1,492	313	17	25	161	107	2,424
Disposals	–	(115)	(457)	(66)	(8)	–	–	(646)
Written off	–	(12,875)	–	–	–	(146)	–	(13,021)
Impairment loss	–	2,648	19	40	26	202	39	2,974
Transferred from investment properties (Note 5)	23	–	–	–	–	–	–	23
Exchange differences	8	100	3	(2)	1	1	(2)	109
As at 31 December 2018	1,071	14,323	869	1,201	356	2,280	1,001	21,101
Net carrying amount								
As at 30 June 2017	6,548	6,415	1,220	11	30	187	134	14,545
As at 31 December 2018	**6,751**	**3,331**	**989**	**2**	**21**	**24**	**25**	**11,143**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases

During the financial period, the Group acquired plant and machinery and motor vehicles with an aggregate cost of $435,800 (30 June 2017: $109,000) by means of finance leases. The cost amounting to $261,000 (30 June 2017: $71,000) was funded by finance leases (Note 18(ii)).

The carrying amount of motor vehicles and plant and machinery held under finance leases at the reporting date were $1,622,700 (30 June 2017: $1,480,000). Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold building with a carrying amount of $6,751,000 (30 June 2017: $6,548,000) are mortgaged to secure the Group's bank loans (Note 18).

Impairment of assets

In the previous financial year, the Singapore subsidiary provided a full impairment loss of $4,478,000 on its plant and machinery for operating lease purpose under "Services" segment as the technology for these leasing equipment are considered obsolete.

During current financial period, the Group has executed an operational restructuring, following the termination of leases for the Singapore factory and warehouse premises (Note 17(c)), to transfer certain assets and operation to the Malaysian and Indonesian subsidiaries. The remaining business in Singapore is split into 2 CGUs, being "Sales of goods" and "Services" segment (no indication for impairment).

Singapore subsidiary

During the current financial period, the Singapore subsidiary carried out a review of the recoverable amounts of their plant and equipment under the remaining "Sales of goods" segment due to the continuous operating losses. The impairment loss recognised and the key assumptions used to calculate value-in-use are summarised below:

	1 Jul 2017 to 31 Dec 2018 $'000
Impairment loss recognised (Note 23) under "Sales of goods" segment (Note 31)	1,474
Summary of key assumptions used ("Sale of goods" segment)	
Weighted average remaining useful live of the assets	6 years
Pre-tax discount rate	10.8%
Sales growth	
– first year	105%
– within next 2 – 5 years	5% – 8%
– beyond 5th year	1.4%
Gross profit margin	16% to 20%

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of assets (Continued)

Singapore subsidiary (Continued)

The impairment loss recognised representing full impairment made on the Singapore subsidiary under "sales of goods" segment. Any reasonably possible changes to the key assumptions are not expected to have significant impact on the outcome of the impairment assessment within next financial year.

Malaysia subsidiary

Upon execution of operational restructuring, a significant portion of the "sales of goods" segment was transferred from Singapore to Malaysia. Management has made additional impairment loss on the Malaysia subsidiary's property, plant and equipment for the current financial period on the value-in-use calculated on the following assumptions:

	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Impairment loss recognised (Note 23) under "Sales of goods" segment (Note 31)	**1,500**	3,294
Summary of key assumptions used		
Weighted average remaining useful live of the assets	**9 years**	9 years
Pre-tax discount rate	**13.2%**	9.2%
Sales growth		
– first year	**22%**	106%
– within next 2 – 5 years	**3%**	5% to 55%
– beyond 5th year	**1.4%**	1.4%

The calculation of the value-in-use is most sensitive to the sales growth in year 1 (2019). If the discounted cash flows is based on a sales growth rate of 24% in year 1 and on the basis that each of the other key assumptions remained unchanged, the impairment loss will be reduced by $183,000. Any further reduction in sales growth rates will not have any impact on impairment charge as management has provided full impairment on the carrying amount of the relevant assets in the cash generating unit.

4. PREPAID LAND LEASE

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Cost		
At beginning of period/year	**3,615**	3,734
Exchange differences	**98**	(119)
At end of period/year	**3,713**	3,615
Accumulated amortisation and impairment loss		
At beginning of period/year	**441**	375
Amortisation for the period/year	**186**	121
Reversal of impairment loss	**–**	(43)
Exchange differences	**12**	(12)
At end of period/year	**639**	441
Net carrying amount	**3,074**	3,174
Amount to be amortised:		
– Not later than 1 year	**124**	122
– Later than 1 year and not later than 5 years	**495**	489
– Later than 5 years	**2,455**	2,563

The Group has made prepayments for land leases over two plots of land in Malaysia which is partially occupied by the Group's manufacturing and storage facilities. The leases are not transferrable and have a remaining tenure ranging from 25 and 26 years (30 Jun 2017: 26 and 27 years).

The entire prepaid land lease is mortgaged to secure the Group's bank loans (Note 18).

5. INVESTMENT PROPERTIES

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Cost		
At beginning of period/year	**2,126**	2,196
Transferred to property, plant and equipment (Note 3)	**(436)**	–
Exchange differences	**58**	(70)
At end of period/year	**1,748**	2,126
Accumulated depreciation and impairment loss		
At beginning of period/year	**64**	74
Depreciation for the period/year	**64**	43
Transferred to property, plant and equipment (Note 3)	**(23)**	–
Reversal of impairment loss	**(15)**	(50)
Exchange difference	**3**	(3)
At end of period/year	**93**	64
Net carrying amount	**1,655**	2,062

5. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise of 3 (30 June 2017: 4) freehold properties (office lots) in Kuala Lumpur, Malaysia. Valuation is performed by Jordan Lee & Jaafar Sdn. Bhd., an independent valuer with a recognised and relevant professional qualification. The valuation is based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market, adjusted for any difference in the nature, location or condition of the specific property. In estimating the fair value for disclosure, the level of fair value hierarchy is Level 2 (significant other observable inputs). Based on the valuation report, fair value of the investment properties is at MYR5,080,000 (approximately $1,694,000) (30 June 2017: MYR6,350,000 or $2,062,000). As a result, a partial reversal of prior year impairment loss amounting to MYR46,000 (approximately $15,000) (30 June 2017: MYR153,000 or $50,000) is recognised in the profit or loss under "Other operating income" (Note 23) during current financial period from 1 July 2017 to 31 December 2018.

During the financial period, investment properties were leased out for rental income of $29,600 (MYR89,000) and incurred direct operating expenses of $14,400 (MYR43,000).

On 1 September 2017, the Group transferred 1 unit of investment property to owner-occupied property. On that date, the Group has commenced using that unit of property for office use.

The entire investment properties are mortgaged to secure the Group's bank loans (Note 18).

6. SUBSIDIARIES

	Company	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Unquoted equity shares, at cost		
– KTL Offshore Pte. Ltd. ("KTLO")	**13,160**	13,160
– KTL Investment Pte. Ltd.	**1**	1
– Bluegas Private Limited	**50**	–
	13,211	13,161
Less: Impairment loss	**(13,160)**	–
	51	13,161

Name of companies	**Principal activities**	**Country of incorporation and place of business**	**Proportion (%) of ownership interest As at 31 Dec 2018 %**	**As at 30 Jun 2017 %**
Held by the Company				
KTL Offshore Pte. Ltd.(i)	Trading of rigging equipment and related services	Singapore	**100**	100
KTL Investment Pte. Ltd.(i)	Investment holding	Singapore	**100**	100
Bluegas Private Limited (formerly known as Yingjie Holdings Private Limited)(i)(v)	Trading of natural gas related equipment and products and the provision of other products and related services	Singapore	**80**	–

(Amounts in Singapore dollars unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest As at 31 Dec 2018 %	As at 30 Jun 2017 %
Held through KTL Offshore Pte. Ltd.				
PT. KTL Offshore Indonesia(iii)	Inspection and certification of lifting equipment and certification of wire ropes	Indonesia	**95**	95
KTL Offshore (Middle East) FZC(ii)	Trading of rigging equipment and related services	United Arab Emirates	**98**	98
KTL Offshore (Malaysia) Sdn. Bhd.(ii)	Trading of rigging equipment and related services	Malaysia	**100**	100
KTL Offshore Services Pte. Ltd.(i)	Inspection and certification of lifting equipment and certification of wire ropes	Singapore	**100**	100
KTL Offshore Trading (Malaysia) Sdn. Bhd.(iv)	Trading of rigging equipment	Malaysia	**100**	100
KTL Offshore Services (Malaysia) Sdn. Bhd.(iv)	Provision of services to customers mainly in the offshore, oil and gas and marine industries	Malaysia	**100**	100
Future Synthetics Pte. Ltd.(i)	Developing and advancing the technology of synthetics material for use in the manufacture of heavy lift synthetics slings	Singapore	**100**	100
Held through KTL Investment Pte. Ltd.				
KTL Realty Holding Sdn Bhd(ii)	Property investment	Malaysia	**100**	100

(i) Audited by Crowe Horwath First Trust LLP, Singapore

(ii) Audited by network firms of Crowe Global in the respective countries

(iii) Audited by Kantor Akuntan Publik Kristianto, Targan & Macgan, Indonesia

(iv) Not material to the Group and not required to be disclosed under SGX Listing Rule 717

(v) Newly incorporated during the period

The Group does not have any subsidiary that has non-controlling interest that is material to the Group at the end of the reporting period.

Impairment testing of investment in subsidiary

As at reporting date, management performed an impairment test for the investment in KTLO that recorded continuous operating losses and have been in equity deficit. A full impairment loss of $13,160,000 (30 June 2017: Nil) was recognised for the period ended 31 December 2018.

6. SUBSIDIARIES (CONTINUED)

Impairment testing of investment in subsidiary (Continued)

2018

The recoverable amount of investment in KTLO is assessed to be zero as the discounted cash flows based on key consumptions as disclosed in Note 3 generates a negative equity value after taking into account its borrowings making Loan 2 and Loan 5 in Note 18. The amount due from KTLO has also been fully impaired during the current period (Note 9(a)).

2017

The recoverable amount of the cost of investment is determined on value-in-use calculations using cash flow projections approved by management covering a 5-year period. A terminal value, which is the present value of all future cash flows, assuming a long-term growth rate is also applied in the fifth year. The key estimated variables in the value-in-use calculation are as follows:

	As at 30 Jun 2017
Pre-tax discount rate	8.4%
Sales growth	
– within next 1 – 3 years	18.4% to 54.9%
– within next 4 – 5 years	5%
Gross profit margin	25% to 32%
Long-term growth rate beyond 5th year	1.4%

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the subsidiary, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the subsidiaries and derived from its cost of equity.

Sales growth – The estimated sales growth is based on current year results and expectations of future recovery in the oil and gas market.

Gross profit margin – Gross profit margin is based on historical achieved margin adjusted with expectations of future recovery in the oil and gas market.

Long-term growth rate – The forecasted growth rate is based on track records of the subsidiary, management experience in the past and does not exceed the long-term growth rate for the relevant industries.

7. ASSOCIATES

	Group		Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
At beginning of period/year	–	5,479	–	5,848
Additional investment in FW Coastal	–	1,500	–	–
Share of post-acquisition reserves	–	44	–	–
Share of other comprehensive income	–	(14)		
Impairment loss	–	(4,941)	–	(3,780)
Classified as non-current asset held for sale (Note 15)	–	(2,068)	–	(2,068)
At end of period/year	–	–	–	–

(Amounts in Singapore dollars unless otherwise stated)

7. ASSOCIATES (CONTINUED)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest As at 31 Dec 2018 %	As at 30 Jun 2017 %
Held by the Company				
Dae Kwang Co., Ltd. ("Dae Kwang")	Engaged in manufacturing and supply of lifting and rigging hardware, steel wire rope, heavy lift slings, deep water mooring systems and emergency towing systems, deck machinery and winch systems	Republic of Korea	**–**	20
Held through KTL Investment Pte. Ltd.				
FW Coastal Ventures Pte. Ltd. ("FW Coastal")	Engaging in service activities incidental to oil and gas extraction	Singapore	**40**	40
Held through FW Coastal				
Atlas Training Centre Sdn. Bhd. ("Atlas Training")	Providing training for offshore oil and gas, commercial maritime and energy resource industries	Malaysia	**40**	40
Axis Weld Sdn. Bhd. ("Axis Weld")	Providing welding training courses, welding test and qualifies welders for offshore oil and gas industry	Malaysia	**40**	40

All of the above associates are accounted for using the equity method in these consolidated financial statements.

Investment in FW Coastal

In prior year, a full impairment loss of $1,500,001 was recognised against the investment in the Group's profit or loss for financial year ended 30 June 2017 in view that FW Coastal has ceased its operation in July 2017. The Company is in the process of negotiating with other shareholders to liquidate the entity.

Investment in Dae Kwang

In prior year, the investment is classified as non-current asset held for sale as at 30 June 2017 with impairment loss recognised of $3,441,000 (Note 15) and the sale is completed during current financial period.

8. JOINT VENTURES

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
At beginning of period/year	**479**	730
Share of post-acquisition reserves	**–**	(228)
Reversal of impairment loss/(Impairment loss)	**23**	(23)
At end of period/year	**502**	479

Name of companies	**Principal activities**	**Country of incorporation and place of business**	**Proportion (%) of ownership interest As at 31 Dec 2018 %**	**As at 30 Jun 2017 %**
Held through KTL Offshore Pte. Ltd.				
KTL Offshore Technology (Nantong) Co., Ltd. ("KTL Nantong")[(i)]	Trading of high-end sling, processing, storage, display and other related services	People's Republic of China	**40**	40
Subsidiary of KTL Nantong Co., Ltd.				
Shanghai Kaidele Ocean Engineering Technology Co., Ltd.[(ii)]	Trading of high-end sling, processing, storage, display and other related services	People's Republic of China	**–**	40

(i) The entity is in the process of voluntary liquidation. The cost of investment amounting $502,000 and amount due from joint venture of $198,000 (Note 9) is recoverable as the Company has fully collected the sum from the distribution by liquidation as at the date of this report.

(ii) The entity is liquidated during current financial period.

All of the above joint ventures are accounted for using the equity method in these consolidated financial statements.

8. JOINT VENTURES (CONTINUED)

The summarised financial information in respect of KTL Nantong, based on its financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

	KTL Nantong	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Summarised profit or loss and other comprehensive income		
Revenue	**–**	–
Expense	**(2)**	(570)
Income tax	**–**	–
Profit/(Loss) after tax	**(2)**	(570)
Other comprehensive loss	**–**	–
Total comprehensive loss	**(2)**	(570)
Includes:		
– Depreciation	**–**	–
Summarised financial position		
Current assets		
Cash and cash equivalents	**1,330**	1,260
Trade and other receivables	**–**	101
	1,330	1,361
Non-current assets excluding goodwill	**–**	2
Total assets	**–**	1,363
Current liabilities	**–**	(45)
Total liabilities	**–**	(45)
Net assets	**1,330**	1,318
Net assets of joint ventures		
Proportion of the Group's ownership interest	**40%**	40%
Group's share of net assets	**532**	527
Foreign currency translation	**(30)**	(18)
Impairment loss	**–**	(30)
Carrying amount of interest in joint ventures at end of the period/year	**502**	479

9. DUE FROM SUBSIDIARIES/ASSOCIATES AND JOINT VENTURE COMPANIES DUE TO CONTROLLING SHAREHOLDERS

(a) Amount due from subsidiaries

	Company	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Due from subsidiaries		
– Non-current	**10,569**	6,961
– Current	**5,933**	5,970
	16,502	12,931
Less: Impairment loss	**(16,502)**	–
	–	12,931

The movement in allowance for impairment loss is as follows:

	Company	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
At beginning of the period/year	**–**	–
Additions	**16,502**	–
At end of the period/year	**16,502**	–

Non-current amounts due from subsidiaries pertains to quasi-equity loans. They are unsecured, interest-free and not expected to be repaid within the next twelve months.

The current amounts are non-trade, unsecured, interest-free and repayable on demand.

During the financial period, the Company has recognised full impairment loss of $16,502,000 on amount due from a subsidiary (KTLO) which was in equity deficit and recording operating losses, as disclosed in Note 6.

9. DUE FROM SUBSIDIARIES/ASSOCIATES AND JOINT VENTURE COMPANIES DUE TO CONTROLLING SHAREHOLDERS (CONTINUED)

(b) Due from associate and joint venture companies

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Due from associate and joint venture companies		
– associate	**916**	1,234
– joint venture	**1,001**	1,001
Less: Impairment loss		
– associate	**(916)**	(1,178)
– joint venture	**(803)**	(1,001)
	(1,719)	(2,179)
	198	56

The movement in allowance for impairment loss is as follows:

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
At beginning of the period/year	**2,179**	1,195
Additions	**–**	984
Reversal	**(460)**	–
At end of the period/year	**1,719**	2,179

Amount due from associate and joint venture companies are non-trade, unsecured, interest-free and repayable on demand.

During the reporting period, the following reversal of impairment has been recognised in 'Other operating income' of the Group:

- An amount of $523,000 owed by an associate (FW Coastal) was settled through an offset with the controlling shareholders loan (Note (c) below) to the Group which includes a current year advance made by the Group of $261,000 and reversal of previously recognised impairment of $262,000. Those loan were used to repay bank borrowings of FW Coastal which was personally guaranteed by a family member of the controlling shareholders; and

- Reversal of impairment on joint venture (KTL Nantong) of $198,000 was made as the amount is recoverable from the distribution by liquidation (Note 8).

9. DUE FROM SUBSIDIARIES/ASSOCIATES AND JOINT VENTURE COMPANIES DUE TO CONTROLLING SHAREHOLDERS (CONTINUED)

(c) Due to controlling shareholders

Loans due to the controlling shareholders amounting to $11,625,000 (30 June 2017: $1,000,000) are unsecured and interest-free (30 June 2017: 5% per annum). The loans shall be repaid in full on such date as may be agreed between the controlling shareholders and the Company, subject to review and approval by the Audit Committee of the Company. As part of the controlling shareholders' financial support to the Group and the Company, they have undertaken not to recall payments owing to them, including these loans, unless the Group has sufficient fund to pay other liabilities in full for next 12 months from the reporting date.

As at 30 June 2017, the loan totalling $1,000,000 were repayable on demand, and has since been settled via issuance of new shares by the Company during the current financial period (Note 19). The reconciliation of this liability for financing cash flows is disclosed in Note 18(iii).

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Non-current				
Deposit[(1)]	**400**	129	**–**	–
Prepayment for plant and equipment	**–**	21	**–**	–
Prepayment	**1**	–	**–**	–
	401	150	**–**	–
Current				
Deposits	**391**	199	**–**	–
Staff advances	**16**	14	**–**	–
Prepayments	**546**	522	**8**	7
GST receivable	**121**	23	**–**	–
Other receivables	**39**	44	**–**	–
Withholding tax recoverable	**13**	50	**–**	–
Advance payment to supplier	**–**	1,390	**–**	–
	1,126	2,242	**8**	7

(1) Included in the deposit is a collateral placed with an insurer amounting to $300,000 in connection with rental bond insurance policy as requested by the former landlord (Note 17(c)).

11. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
At beginning of period/year	**(1,086)**	(714)
Recognised in the profit or loss (Note 27)	**1,086**	(372)
At end of period/year	**–**	(1,086)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**–**	(1,261)
Deferred tax liabilities	**–**	175
	–	(1,086)

11. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

The components and movement of deferred tax (assets) and liabilities during the financial period/year prior to offsetting are as follows:

	Tax over book depreciation $'000	Unutilised tax losses $'000	Total $'000
2018			
At beginning of the period	**472**	**(1,558)**	**(1,086)**
Recognised in the profit or loss	**(472)**	**1,558**	**1,086**
At end of the period	**–**	**–**	**–**
2017			
At beginning of the year	394	(1,108)	(714)
Recognised in the profit or loss	78	(450)	(372)
At end of the year	472	(1,558)	(1,086)

Deferred tax assets pertain to a subsidiary in Singapore which recorded continuous operating losses, had been fully reversed in current reporting period as it is not probable that taxable profit will be available against which the losses can be utilised in the foreseeable future. The unrecognised deferred tax assets are disclosed in Note 27.

12. INVENTORIES

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Statement of financial position		
Trading goods and supplies[(1)]	**12,953**	17,498
Statement of profit or loss and other comprehensive income		
Inventories recognised as an expense in cost of sales	**34,942**	21,878
Inclusive of the following charge:		
– (Reversal of)/inventories write-down	**(453)**	2,398
– Inventories written off	**984**	509

(1) This is stated after write-down of $2,117,000 (2017: $2,733,000) to the lower of cost and net realisable value.

13. TRADE RECEIVABLES

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Trade receivables	**9,996**	10,604
Less: Allowance for impairment loss (Note 32 (iii))	**(3,080)**	(3,405)
	6,916	7,199

14. CASH AND BANK BALANCES

	Group		Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Cash on hand	**9**	9	**–**	–
Cash at banks	**2,444**	1,354	**748**	13
Cash and cash equivalents presented on the consolidated statement of cash flows	**2,453**	1,363	**748**	13

Cash at bank earns interest at floating rates based on daily bank deposit rates. Certain bank accounts of the Group and the Company amounting to $2,124,000 and $748,000 respectively are charged to secure the Group's bank loan (Note 18, Loan 2). The Group is able to operate and withdraw from the bank accounts until the Group receive instructions from the bank that the security created has become enforceable.

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 16 August 2017, the Company entered into a sale and purchase agreement with the existing shareholder of an associate, Dae Kwang Co. Ltd ("DK") for the disposal of its 20% equity interest in the associate for a consideration of US$1.5 million (equivalent to $2,068,000). Accordingly, the investment in DK (Note 7) and its related reserve are classified as held for sale and presented separately on the statements of financial position as at 30 June 2017. The sale is completed during current financial period and total consideration has been fully received.

The major classes of assets and reserve of the investment in DK classified as held for sale as at 30 June 2017 were as follows:

	As at 30 Jun 2017 $'000
Company	
Asset:	
Cost of investment in associate (Note 7)	5,848
Less: Accumulated impairment loss	(3,780)
Non-current asset classified as held for sale	2,068

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE (CONTINUED)

	As at 30 Jun 2017 $'000
Group	
Asset:	
Cost of investment in associate (Note 7)	5,848
Less: Accumulated share of post-acquisition reserves	(339)
Less: Accumulated impairment loss	(3,441)
Non-current asset classified as held for sale	2,068
Reserve:	
Translation reserve attributable to non-current asset held for sale	(12)

The management did not present share of DK's result as a discontinued operation as this did not represent a separate major line of business.

16. BILLS PAYABLES

The total bills payables as at 31 December 2018 amounted to $4,721,000 (30 June 2017: $3,565,000). Bills payables were repayable within 2 to 6 months (30 June 2017: 2 to 6 months) at effective interest rate of 1.6% to 5.7% (30 June 2017: 1.6% to 4.5%) per annum. The bills payables were drawn under trust receipts facilities secured by the same securities as Loan 2 as disclosed in Note 18.

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Non-current				
Deposit	**–**	168	**–**	–
Deferred income[(a)]	**–**	988	**–**	–
Provision for staff gratuity[(b)]	**275**	218	**–**	–
Other payables[(c)]	**2,524**	–	**–**	–
	2,799	1,374	**–**	–
Current				
Deposits and advances received	**86**	212	**–**	–
Deferred income[(a)]	**–**	312	**–**	–
Accrued expenses	**1,360**	670	**296**	192
Other payables[(c)(d)]	**5,578**	3,770	**123**	33
GST payables	**9**	29	**4**	29
	7,033	4,993	**423**	254
Total:	**9,832**	6,367	**423**	254

(a) In 2017, deferred income pertains to a novation fee received from the former landlord arising from a change in ownership of the premise under lease. It is fully amortised after early termination of the lease during current financial period (c).

(b) Provision made for end-of-service gratuity payable to employees of a subsidiary in accordance with the labour laws of that jurisdiction.

17. OTHER PAYABLES AND ACCRUALS (CONTINUED)

(c) As announced by the Group on 23 February 2018 relating to the change of registered office, the Group early-terminated the lease of its former registered office. The Group entered into a deed of surrender with the former landlord with effect from 1 March 2018 relating to the compensation payable on early termination and the rental in arrears, amounting to $3,800,000 (recognised as part of other expenses, as disclosed in Note 23(i)) and $1,500,000 respectively. The total sum of $5,300,000 is repayable by 42 instalments of $126,190 (principal) with monthly interest calculated at 6% per annum, commencing April 2018 to August 2021. According to the payment schedule, an amount of $1,514,000 and $2,524,000 has been included in current and non-current portion of other payables respectively. The entire amount is repayable immediately in event of default or insolvency. As requested by the former landlord, the Group has entered into a rental bond insurance policy with deposit of $300,000 as collateral (Note 10).

(d) Included in other payable (current) is a loan from an individual third party amounting to $1,447,000 (30 June 2017: Nil) for working capital purpose, which is unsecured and bear interest at 4% per annum. The loan shall be repaid in full on such date as may be agreed between the third party and the Company, subject to review and approval by the Audit Committee of the Company.

18. INTEREST-BEARING LOANS AND BORROWINGS

Group

	Not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000	Total $'000
2018				
Loans(i)	**24,910**	**60**	**–**	**24,970**
Finance lease obligations(ii)	**498**	**723**	**–**	**1,221**
	25,408	**783**	**–**	**26,191**
2017				
Loans(i)	26,915	4,873	833	32,621
Finance lease obligations(ii)	464	1,210	–	1,674
	27,379	6,083	833	34,295

(i) Loans

Group

	Classification on Statement of Financial Position: Current	Non-current			
	On demand or not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000	Total $'000	Amount repayable beyond 12 months based on repayment schedule(i) $'000
2018					
Loan 1 (secured)(ii)	**2,973**	**–**	**–**	**2,973**	**2,440**
Loan 2 (secured)	**15,526**	**–**	**–**	**15,526**	**–**
Loan 3 (secured)	**436**	**60**	**–**	**496**	**60**
Loan 4 (secured)(ii)	**975**	**–**	**–**	**975**	**828**
Loan 5 (secured)(iii)	**5,000**	**–**	**–**	**5,000**	**3,854**
	24,910	**60**	**–**	**24,970**	**7,182**

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(i) Loans (Continued)

Group (Continued)

	Classification on Statement of Financial Position				
	Current	Non-current			
	On demand or not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000	Total $'000	Amount repayable beyond 12 months based on repayment schedule(i) $'000
2017					
Loan 1 (secured)(ii)	3,665	–	–	3,665	3,201
Loan 2 (secured)(ii)	21,353	–	–	21,353	17,558
Loan 3 (secured)	406	706	–	1,112	706
Loan 4 (secured)(ii)	1,209	–	–	1,209	1,056
Loan 5 (secured)	–	4,167	833	5,000	5,000
Loan 6 (secured)	282	–	–	282	–
	26,915	4,873	833	32,621	27,521

(i) The total amount repayable after 12 months according to the original instalment schedule.

(ii) As at 31 December 2018 and 2017, the entire loan is classified as current liabilities due to technical breach of loan covenants.

(iii) The loan 5 is under SPRING Singapore's Local Enterprise Finance Scheme and is classified as current liabilities as the facility agreement contains overriding right by the bank to demand immediate repayment of the full facilities at its absolute discretion.

Loan 1 (secured)

The 10-year Singapore dollar ("SGD") denominated term loan of a subsidiary bears interest at 2% (30 June 2017: 2%) per annum over the bank's one-month cost of fund and is repayable in 120 monthly instalments commencing from October 2014. The term loan is secured by a corporate guarantee issued by the Company to the bank, personal guarantee from 3 individuals from Tan Family and leasehold building and prepaid land lease in Malaysia (Notes 3 and 4).

Loan 2 (secured)

The 3-year SGD-denominated term loans of a subsidiary bears interest rate at 3% (30 June 2017: 3%) per annum over SIBOR. The loan is repayable over 36 monthly instalments commencing May 2016 and a final payment of $13,917,000 on 22 April 2019, with the option to extend for another two years. Subsequently on 6 May 2019, the Group obtained approval to extend the repayment period by two years.

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(i) Loans (Continued)

Loan 2 (secured) (Continued)

The loan is secured by:

(i) fixed charges and assignments over first fixed charge on book debts, investment and dividends, uncalled capital and goodwill, intellectual property, plant and machinery and other equipment and floating charges over all assets and undertaking of certain subsidiaries;

(ii) charge over certain bank accounts of the Company and certain subsidiaries;

(iii) pledge of shares and dividend of the Company and certain subsidiaries;

(iv) assignment of all present and future right, title and interest in and to the insurances of a subsidiary;

(v) corporate guarantee by the Company and the 2 subsidiaries in Singapore;

(vi) joint and several personal guarantee by 3 individuals from Tan Family.

Among other terms of the loan, the loan will be cancelled and all amounts accrued shall become immediately due and payable upon the occurrence of a Change of Control, which has been defined to include the Tan Family (meaning Tan Tock Han, Tan Kheng Yeow, Tan Kheng Kuan, each of their respective spouses and children, and Kim Teck Leong Pte. Ltd.) ceasing directly or indirectly to hold beneficially at least 53% (30 June 2017: 53%) of the issued share capital of the Company. As of the date of these financial statements, there is no occurrence of Change of Control and Tan Family has undertaken to continuously comply with this covenant unless approval is obtained from all relevant parties.

Other than the shareholding covenant, the loan is also subject to other loan covenant such as financial covenants relating to profitability and loan servicing ratio which is also in technical breach as at 31 December 2018 and 30 June 2017. Subsequently on 15 May 2019, the Group obtained waiver of compliance with the loan covenants until 31 December 2019.

Loan 3 (secured)

The 5-year SGD-denominated term loan of a subsidiary bears fixed interest rate at 4.75% (30 June 2017: 4.75%) per annum and is repayable over 60 monthly instalments commencing January 2015. The loan is secured by corporate guarantee by the Company, fixed charge over a property owned by and personal guarantee from 2 individuals from Tan Family since March 2016.

Loan 4 (secured)

The SGD-denominated term loan of a subsidiary bears interest rates at 2.95% – 3.64% (30 June 2017: 2.60% – 2.95%) per annum and are repayable in 120 monthly instalments commencing October 2014.The term loan is secured by a corporate guarantee issued by the Company and the investment properties in Malaysia (Note 5).

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(i) Loans (Continued)

Loan 5 (secured)

The SGD-denominated bridging loan under SPRING Singapore's Local Enterprise Finance Scheme bears fixed interest rate at 6.25% (30 June 2017: 6.25%) per annum and is repayable over 72 monthly instalments and first 24 monthly instalments commencing March 2017 shall only service the interest. The loan is secured by corporate guarantee by the Company and personal guarantee from 3 individuals from Tan Family.

As at the date of this report, the management has received email approval from SPRING Singapore and the bank to defer principal repayments by 12 months to commence on March 2020.

Loan 6 (secured)

The SGD-denominated term loan of a subsidiary bears interest rate at 2% per annum over the bank's one month cost of fund and is repayable over 36 monthly instalments commencing December 2015. The loan is secured by leasehold building and prepaid land lease in Malaysia (Notes 3 and 4) and corporate guarantee by the Company. The loan had been fully repaid in 2018.

(ii) Finance lease obligation

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Due within 1 year (current)		
Minimum lease payment	**549**	476
Interest	**(51)**	(12)
Present value of minimum lease payment	**498**	464
Due after 1 year less than 5 years (non-current)		
Minimum lease payment	**755**	1,225
Interest	**(32)**	(15)
Present value of minimum lease payment	**723**	1,210
Finance lease obligations	**1,221**	1,674

These obligations are secured by a charge over the Group's property, plant and equipment (Note 3). Lease terms range from 1 to 5 years. The effective interest rate ranges from 3.9% to 8.3% (30 June 2017: 3.4% to 8.9%) per annum.

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(iii) Reconciliation of liabilities arising from financing activities

	As at 1 July 2017 $'000	Settlement Issued share and debts repayment $'000	New lease during the financial period $'000	Financing cash flows[i] $'000	As at 31 December 2018 $'000
Loans (Note i)	32,621	–	–	(7,651)	**24,970**
Finance lease obligation (Note ii)	1,674	–	261	(714)	**1,221**
Due to controlling shareholders (Note 9)	1,000	(1,523)	–	12,148	**11,625**
	35,295	(1,523)	261	3,783	**37,816**

(i) The cash flows represent repayments of bank loans and finance lease obligation, and new loans obtained from controlling shareholders presented in the consolidated statement of cash flows.

19. SHARE CAPITAL

	Group and Company			
	As at 31 Dec 2018		As at 30 Jun 2017	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
Issued and fully paid:				
At beginning of period/year	**242,525**	**34,836**	242,525	34,836
Issued for set off against outstanding loan owed to controlling shareholders	**26,144**	**1,000**	–	–
Issued for cash	**47,000**	**940**	–	–
At end of period/year	**315,669**	**36,776**	242,525	34,836

On 5 February 2018, the Company allotted and issued 26,143,791 new ordinary shares to controlling shareholders at the issue price of $0.03825 per share, to be set off against the outstanding loan of $1,000,000 owed by the Company to the controlling shareholders (Notes 9 and 18(iii)).

On 23 November 2018, the Company allotted and issued 47,000,000 new ordinary shares at the issue price of $0.02 per share by way of placement to an investor. The proceeds from the share issued amounting to $940,000 is for general working capital and business expansion purposes.

All ordinary shares carry one vote per share without any restriction. The newly issued shares rank pari passu in all respects with previously issued shares. There is no par value for these ordinary shares.

20. TREASURY SHARES

	Group and Company			
	As at 31 Dec 2018		**As at 30 Jun 2017**	
	Number of ordinary shares ‘000	**$’000**	**Number of ordinary shares ‘000**	**$’000**
At beginning of period/year	**1,915**	**(286)**	1,915	(274)
Reissued pursuant to KTL Performance Share Scheme (Note 21)	**(1,915)**	**56**	–	–
Loss on reissuance transferred to treasury shares reserve	**–**	**230**	–	–
Adjustment to treasury share reserve	**–**	**–**	–	(12)
At end of period/year	**–**	**–**	1,915	(286)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

21. RESERVES

(a) Treasury shares reserve

Treasury shares reserve represents the gain or loss arising from purchase, sales, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (where in cash or otherwise) of the Company’s assets may be made in respect of this reserve.

(b) Statutory reserve fund

In accordance with the Implementing Regulations of the Hamriyah Free Zone Authority applicable to a subsidiary in the Hamriyah Free Zone, United Arab Emirates, the subsidiary is required to make appropriation to a Statutory Reserve Fund (“SRF”). At least 10% (30 June 2017: 10%) of the statutory profits after tax as determined in accordance with the applicable accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% (30 June 2017: 50%) of the subsidiary’s paid up share capital. The reserve is not available for distribution except as provided in the Federal Law of Hamriyah Free Zone.

(c) Employee equity benefit reserve

The Company had adopted the KTL Performance Share Scheme (the “Scheme”) on 23 October 2009. The Scheme is administered by the remuneration committee. Under the Scheme, awards of fully-paid ordinary shares in the capital of the Company in the form of existing shares (“Award”) held as treasury shares will be delivered free of charge, to selected employees of the Group and other selected participants. The aggregate number of shares which may be delivered under the Scheme shall not exceed 15% of the total issued shares of the Company (excluding treasury shares) from time to time. Further details on the Scheme are set out in the circular to shareholders dated 7 October 2009 issued by the Company.

In prior year, employee equity benefit reserve represents the equity-settled awards granted to employees under the Scheme. The reserve is made up of the cumulative value of service received from employees recorded over the vesting period commencing from the grant date of the equity-settled share scheme, and is reduced by the expiry, cancellation and settlement of the awards.

22. REVENUE

	Group	
	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Sale of goods	**46,386**	26,802
Revenue from services	**5,464**	3,130
Rental of equipment	**1,953**	950
	53,803	30,882

23. OTHER OPERATING INCOME/EXPENSES

	Note	Group	
		1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Other operating income			
Sub-lease income from office premise under operating lease		**825**	1,629
Commission received		**419**	–
Gain on disposal of property, plant and equipment		**11**	–
Reversal of allowance on amounts due from associate and joint venture company	9(b)	**460**	–
Sundry income		**243**	244
Reversal of impairment of investment properties	5	**15**	50
Reversal of impairment of prepaid land lease	4	**–**	43
Reversal of impairment in a joint venture company	8	**23**	–
Reversal of allowance for doubtful debts	32(iii)	**273**	–
Bad debts written back		**145**	–
		2,414	1,966
Other operating expenses			
Allowance for impairment on amounts due from associate and joint venture companies	9	**–**	984
Allowance for doubtful debts	32(iii)	**–**	280
Bad debts written off		**14**	4
Foreign exchange loss – net		**592**	189
Impairment loss on investment in a joint venture	8	**–**	23
Impairment loss on investment in associates	7	**–**	4,941
Loss on disposal of property, plant and equipment		**–**	58
Impairment loss on plant and equipment	3	**2,974**	7,772
Plant and equipment written off	3	**187**	770
Lease termination expense[1]		**2,708**	–
		6,475	15,021

(1) Lease termination expense comprise compensation for early termination of lease agreement amounting to $3,800,000 (2017: Nil) (Note 17(c)) which is set off against the balance of deferred novation fee income from former landlord as at 1 March 2018 amounting to $1,092,000 (Note 17(a)).

24. PERSONNEL EXPENSES

	Group	
	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Salaries, bonuses and allowances(i)	**10,902**	7,516
Other short-term benefits	**698**	543
Total short-term employee benefits	**11,600**	8,059
Contributions to defined contribution plan(i)	**628**	444
Termination benefits	**174**	51
	12,402	8,554

(i) Includes directors' remuneration as disclosed in Note 29.

25. FINANCE COSTS

	Group	
	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Interest expense on:		
– Bills payables, loans and borrowings	**2,166**	1,280
– Payables to former landlord (Note 17(c))	**216**	–
– Lease obligations	**111**	80
	2,493	1,360

26. LOSS BEFORE TAX

This determined after charging/(crediting) the following:

	Note	Group	
		1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Depreciation of property, plant and equipment	3	**2,424**	4,069
Amortisation of prepaid land lease	4	**186**	121
Bad debts written off	23	**14**	4
(Reversal of)/Allowance for doubtful debts	32(iii)	**(273)**	280
Operating lease expenses		**3,124**	3,539
Foreign exchange loss – net	23	**592**	189
Reversal of impairment loss on prepaid land lease	4	**–**	(43)
Reversal of impairment loss on investment properties	5	**(15)**	(50)
(Reversal of)/Impairment loss on investment in joint ventures	8	**(23)**	23
Impairment loss on plant and equipment	3	**2,974**	7,772
Plant and equipment written off	3	**187**	770
(Reversal of)/Allowance for impairment on amount due from associate and joint ventures	9	**(460)**	984
Impairment loss on investment in associate	7	**–**	4,941
Depreciation of investment properties	5	**64**	43
Audit fees			
– Auditors of the Company		**85**	49
– Other auditors		**24**	55

27. INCOME TAX EXPENSES/(CREDIT)

	Group	
	1 Jul 2017 to 31 Dec 2018 $'000	**1 Jul 2016 to 30 Jun 2017 $'000**
Current tax		
– Withholding tax	**24**	14
– Current period/year	**53**	2
– Over provision in prior years	**(42)**	–
Deferred tax assets (Note 11)		
– Originating and reversal of temporary differences	**–**	(372)
– Over provision of deferred tax assets in prior year	**1,086**	–
Income tax expenses/(credit) recognised in profit or loss	**1,121**	(356)

The reconciliation of the tax credit and the product of accounting loss multiplied by the applicable rate is as follows:

	Group	
	1 Jul 2017 to 31 Dec 2018 $'000	**1 Jul 2016 to 30 Jun 2017 $'000**
Accounting loss	**(18,485)**	(29,990)
Tax at the applicable tax rate of 17% (30 June 2017: 17%)	**(3,143)**	(5,098)
Non-deductible expenses	**1,311**	1,663
Tax incentives	**(324)**	(66)
Non-taxable income	**(309)**	–
Over provision in respect of previous years		
– current income tax	**(42)**	–
– deferred tax assets	**1,086**	–
Share of losses of joint venture companies and associates	**–**	31
Deferred tax assets not recognised	**2,686**	3,609
Effect of difference in tax rates in other countries	**(165)**	(525)
Withholding tax	**24**	14
Others	**(3)**	16
Income tax expense/(credit) recognised in profit or loss	**1,121**	(356)

At the end of the reporting period, the Group has deductible temporary difference from plants and machinery and tax losses of approximately $9,202,000 and $26,992,000 (30 June 2017: $4,183,000 and $17,050,000) respectively that are available to offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The tax loss has no expiry. The use of these unutilised tax losses is subject to the agreement by the tax authority and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The Company and subsidiaries in Singapore

The Company and subsidiaries in Singapore are subjected to an applicable tax rate of 17% (30 June 2017: 17%). Certain subsidiaries are in a tax loss position hence they are not subjected to tax in the current and previous years.

Subsidiaries in Malaysia

Subsidiaries in Malaysia are subjected to an applicable tax rate of 24% (30 June 2017: 24%). The subsidiaries are in a tax loss position hence they are not subjected to tax in the current and previous years.

27. INCOME TAX EXPENSES/(CREDIT) (CONTINUED)

Subsidiary in United Arab Emirates

Subsidiary incorporated in United Arab Emirates is exempted from income tax.

Subsidiary in Indonesia

Subsidiary in Indonesia is subjected to an applicable tax rate of 25% (30 June 2017: 25%).

28. EARNINGS PER SHARE

(i) Basic earnings per share

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

	1 Jul 2017 to 31 Dec 2018 $'000	1 Jul 2016 to 30 Jun 2017 $'000
Net loss attributable to equity holders of the Company	**(19,636)**	(29,610)

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Diluted earnings per share are calculated by dividing loss for the period/year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period/year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares as at 31 December 2018 and 30 June 20017.

The following table reflects the loss and number of shares used in the computation of basic and diluted earnings per share for the period/year ended 31 December 2018 and 30 June 2017:

	Group	
	1 Jul 2017 to 31 Dec 2018	1 July 2016 to 30 Jun 2017
Weighted average number of ordinary shares outstanding for basic/diluted earnings per share ('000)	**260,493**	240,610
Basic earnings per share (cents) attributable to owners of the Company	**(7.54)**	(12.30)
Diluted earnings per share (cents)	**(7.54)**	(12.30)

29. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Group	
	1 Jul 2017 to 31 Dec 2018	**1 Jul 2016 to 30 Jun 2017**
	$'000	**$'000**
Deposit for professional services from a related party	**(20)**	–
Loan interest payable to controlling shareholders	**(30)**	–
Repayment from/(advance to) associates	**262**	(246)
Sales of goods to an associate	**–**	196
Purchase of professional services from related parties	**(91)**	(24)
Rental income from an associate	**–**	404
Consultant fee payable to controlling shareholders	**(84)**	(11)

In prior year, the Group waived the interest chargeable of $77,000 on amount due from one of the associates amounting to $1,458,000 before a full impairment was made (Note 9).

Related parties comprise mainly companies or firms which are controlled or jointly controlled by the Group's key management personnel and their close family members.

	Group	
	1 Jul 2017 to 31 Dec 2018	**1 Jul 2016 to 30 Jun 2017**
	$'000	**$'000**
Key management personnel compensation		
Salaries, bonuses and allowances	**2,883**	1,796
Other short-term benefits	**684**	516
Directors fee	**264**	176
	3,831	2,488
Employer's contribution to defined contribution plans	**122**	79
	3,953	2,567

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

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. COMMITMENTS

(i) Contingent liabilities

Corporate guarantees

The Company has issued corporate guarantees to certain banks in respect of banking facilities utilised amounting to $29,691,000 (30 June 2017: $36,186,000) granted to wholly-owned subsidiaries. As at 31 December 2018 and 30 June 2017, the corporate guarantees have not been recognised as management does not consider it probable that a claim will be made against the Company under the guarantee in view of other security available.

(ii) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain motor vehicles, office equipment, dormitories, warehouse, and office premises. These leases have an average tenure of between 1 and 2 years (30 June 2017: 1 and 10 years), with options to renew the lease after that date. None of the lease includes contingent rentals.

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Future minimum lease payments		
– Not later than 1 year	**991**	3,808
– Later than 1 year and not later than 5 years	**161**	12,176
– Later than 5 years	**–**	463
	1,152	16,447

(iii) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties under operating lease.

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Future minimum lease payments		
– Not later than 1 year	**74**(i)	1,000
– Later than 1 year and not later than 5 years	**43**(i)	224
	117	1,224

(i) On 24 January 2019, the lease was early terminated by tenant.

(iv) Future capital expenditure

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements, are as follows:

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
In respect of property, plant and equipment	**88**	4

31. SEGMENT INFORMATION

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

For management purposes, the Group is organised into business segments based on the nature of revenue type. The following summary describes the operations in each of the Group's reportable segments:

(a) Sales of goods comprise of fabrication and trade of products range from heavy lift slings and grommets, wire ropes, shackles and rigging accessories; and

(b) Services comprise of rental of equipment, testing, inspection, spooling, training and wire rope fabrication.

Other operations include property investment and investment holding companies with head-office corporate functions and inactive companies. Expenses incurred by these companies, which mainly include remuneration for key management personnel under corporate functions, are presented as unallocated expenses in the reconciliation below.

Business segments

31 December 2018	**Sale of goods $'000**	**Services $'000**	**Others $'000**	**Total $'000**
Revenue				
External sales	46,386	7,417	–	53,803
Segment results				
(Loss)/Profit from operations	(16,138)	4,918	(4,772)	(15,992)
Finance costs				(2,493)
Loss before tax				(18,485)
Income tax				(1,121)
Loss for the period				(19,606)
Other segment information				
Amortisation of prepaid land lease	186	–	–	186
Reversal of provision for doubtful debts	(273)	–	–	(273)
Depreciation	2,083	283	58	2,424
Inventories written off	984	–	–	984
Reversal of allowance for slowing moving and obsolete inventories	(453)	–	–	(453)
Reversal of allowance for amounts due from associate and joint venture companies	(460)	–	–	(460)
Impairment on plant and equipment	2,974	–	–	2,974
Plant and equipment written off	187	–	–	187
Additions to non-current assets	1,016	–	–	1,016
Lease termination expense	2,708	–	–	2,708

31. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

30 June 2017	**Sale of goods $'000**	**Services $'000**	**Others $'000**	**Total $'000**
Revenue				
External sales	26,802	4,080	–	30,882
Segment results				
Loss from operations	(19,636)	(2,307)	(6,503)	(28,446)
Share of profit of associates				44
Share of loss of joint venture companies				(228)
Finance costs				(1,360)
Loss before tax				(29,990)
Income tax credit				356
Loss for the year				(29,634)
Other segment information				
Amortisation of prepaid land lease	121	–	–	121
Allowance for doubtful debts	280	–	–	280
Depreciation	3,821	205	43	4,069
Inventories written off	509	–	–	509
Share of profit of associates	(44)	–	–	(44)
Share of loss of joint venture companies	228	–	–	228
Allowance for slowing moving and obsolete inventories	2,398	–	–	2,398
Impairment on investments in associate and joint venture companies	4,964	–	–	4,964
Impairment on plant and equipment	3,294	4,478	–	7,772
Plant and equipment written off	770	–	–	770
Additions to non-current assets	615	10	1,500	2,125

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market which is based on the location of the customers regardless of where the goods or services are delivered or rendered:

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Singapore	**12,248**	9,946
United Arab Emirates	**16,220**	6,208
Indonesia	**7,187**	2,635
Malaysia	**5,658**	5,099
Asia	**5,878**	1,571
Rest of the world	**6,612**	5,423
	53,803	30,882

31. SEGMENT INFORMATION (CONTINUED)

Geographical segments (Continued)

Asia includes Brunei, Hong Kong, India, Japan, Philippines, People's Republic of China, South Korea, Taiwan, Thailand and Vietnam; each country contributing less than 10% (30 June 2017: 10%) of total revenue.

Rest of the world include Africa, Australia, North and South America, Europe, New Zealand and other Middle Eastern countries; each contributing less than 10% (30 June 2017: 10%) of total revenue.

During the financial period, revenue of approximately $9,856,000 is derived from a single external customer, a public joint stock company in United Arab Emirates.

In 2017, none of an individual customer contributes more than 10% of total revenue.

	Non-current assets	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Singapore	**2,242**	4,849
Indonesia	**22**	14
Malaysia	**8,944**	10,741
United Arab Emirates	**4,664**	4,177
	15,872	19,781

Non-current assets presented above exclude deferred tax assets and financial instruments.

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risks (interest rate risk and foreign currency risk), liquidity risk and credit risk. The Group's risk management approach seeks to minimise the potential material adverse impact of these exposures.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Market risk

(a) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and investments that are denominated in a currency other than the functional currencies of Group's entities.

The currencies that give rise to this risk mainly include United States Dollars (USD), Euro, Malaysian Ringgit (MYR) and United Arab Emirates Dirham (AED) and Indonesian Rupiah (IDR). Others in 2017 refer to Indonesian Rupiah and Great Britain Pound.

The Group manages foreign currency risk by matching assets and liabilities in the same currency denomination. The Group does not use derivative financial instruments to mitigate the financial impact associated with foreign currency fluctuation from its businesses.

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) *Foreign exchange risk* (Continued)

Group 31 Dec 2018	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	IDR $'000	Total $'000
Financial assets							
Cash and bank balances	1,026	16	1,126	50	78	157	2,453
Trade receivables	1,425	2,437	1,276	199	–	1,579	6,916
Other receivables	501	64	29	90	135	27	846
Due from a joint venture company	198	–	–	–	–	–	198
Intragroup receivables	45,242	1,403	782	2,678	–	501	50,606
	48,392	3,920	3,213	3,017	213	2,264	61,019
Financial liabilities							
Interest bearing loans and borrowings	26,153	–	–	38	–	–	26,191
Bill Payables	116	2,460	2,145	–	–	–	4,721
Trade payables	1,557	2,459	546	112	16	453	5,143
Other payables and accruals	8,333	636	–	363	–	216	9,548
Due to a director	11,625	–	–	–	–	–	11,625
Intragroup payables	45,242	1,403	782	2,678	–	500	50,605
	93,026	6,958	3,473	3,191	16	1,169	107,833
Net financial (liabilities)/assets	(44,634)	(3,038)	(260)	(174)	197	1,095	(46,814)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	12,447	2,760	–	(1,464)	–	(1,095)	12,648
Foreign currency exposure	(32,187)	(278)	(260)	(1,638)	197	–	(34,166)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 30 June 2017	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Others $'000	Total $'000
Financial assets							
Cash and bank balances	850	250	3	16	199	45	1,363
Trade receivables	2,702	1,227	682	–	1,518	1,070	7,199
Other receivables	97	26	–	61	162	40	386
Due from associate and joint venture companies	–	56	–	–	–	–	56
Intragroup receivables	64,074	5,024	55	1,770	–	–	70,923
	67,723	6,583	740	1,847	1,879	1,155	79,927
Financial liabilities							
Interest bearing loans and borrowings	34,206	–	–	71	18	–	34,295
Bill Payables	–	1,878	1,687	–	–	–	3,565
Trade payables	386	3,813	647	15	844	887	6,592
Other payables and accruals	3,721	–	–	333	537	41	4,632
Due to a director	1,000	–	–	–	–	–	1,000
Intragroup payables	64,074	5,024	55	1,770	–	–	70,923
	103,387	10,715	2,389	2,189	1,399	928	121,007
Net financial (liabilities)/assets	(35,664)	(4,132)	(1,649)	(342)	480	227	(41,080)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	6,032	2,980	–	(1,272)	–	(875)	6,865
Foreign currency exposure	(29,632)	(1,152)	(1,649)	(1,614)	480	(648)	(34,215)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 3% (30 June 2017: 3%) increase and decrease in the Singapore dollars against the relevant foreign currencies. 3% (30 June 2017: 3%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 3% (30 June 2017: 3%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the Singapore dollars strengthens by 3% (30 June 2017: 3%) against the relevant foreign currency, with all other variables held constant, loss for the period/year will increase/(decrease) by:

Group	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Other $'000
31 Dec 2018						
Loss for the period	**801**	**(7)**	**(6)**	**(41)**	**5**	**–**
30 Jun 2017						
Loss for the year	738	(29)	(41)	(40)	12	(16)

A 3% (30 June 2017: 3%) weakening of foreign currencies against the respective functional currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in other countries mainly Malaysia and United Arab Emirates. The Group's net investment in Malaysia and United Arab Emirates is not hedged as currency position in Malaysian Ringgit and United States dollars and is considered to be long-term in nature.

The Company does not have any significant foreign exchange risk arising from its financial assets and liabilities. As such foreign exchange and its sensitivity analysis is not prepared.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at reporting date, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount of the Group's interest-bearing financial instruments:

	Note	Group	
		As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Fixed rate instruments			
Financial liabilities – due to controlling shareholders	9	–	(1,000)
Financial liabilities – bills payables	16	**(4,721)**	(3,565)
Financial liabilities – other payable	17	**(5,485)**	(1,500)
Financial liabilities – interest-bearing loans and borrowings	18	**(6,717)**	(7,786)
		(16,923)	(13,851)
Variable rate instruments			
Financial liabilities – interest-bearing loans and borrowings	18	**(19,474)**	(26,509)

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

<u>Interest risk sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 75 basis point higher or lower and all other variables were held constant, the Group's loss for the period ended 31 December 2018 would increase/decrease by $121,000 (30 June 2017: $165,000). This mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

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. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay and includes both interest and principal cash flows.

Group	**Note**	**Weighted average effective interest rate**	**On demand or not later than 1 year**	**Later than 1 year and not later than 5 years**	**Later than 5 years**
		%	**$'000**	**$'000**	**$'000**
31 Dec 2018					
Non-derivative instruments					
Trade payables			5,143	–	–
Other payables					
– Amount due to former landlord	17(c)	6.00	1,605	2,836	–
– Loan from third party	17(d)	4.00	1,504	–	–
– Others			4,063	–	–
Bill payables	16	3.40	4,881	–	–
Borrowings	18(i)	4.74	26,091	66	–
Loan from controlling shareholders			11,625	–	–
Lease obligation	18(ii)	4.15	519	784	–
			55,431	3,686	–
30 Jun 2017					
Non-derivative instruments					
Trade payables			6,592	–	–
Other payables	17	1.94	4,554	168	–
Bill payables			3,565	–	–
Borrowings	18(i)	4.09	29,070	5,702	852
Loan from a director	9	5.00	1,050	–	–
Lease obligation	18(ii)	5.09	476	1,225	–
			45,307	7,095	852

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Maturity profile of borrowings based on original repayment schedule

Group	On demand or not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000
31 Dec 2018	**18,494**	**7,684**	**109**
30 Jun 2017	6,252	26,878	2,494

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by directors of the Company.

The Group's trade receivables comprise 5 debtors (30 June 2017: 5 debtors) who are multi-industry conglomerates (including offshore oil and gas and marine) located in Singapore and overseas that represented 47% (30 June 2017: 32%) of trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Corporate guarantees provided to banks on		
– Subsidiaries' loans	**29,691**	36,186

The average credit period on sales of goods is 30 to 90 days (30 June 2017: 30 to 90 days). No interest is charged on the trade receivables on the outstanding balance.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
By geographical areas:		
– Singapore	**1,327**	2,272
– Indonesia	**1,487**	1,059
– Rest of Asia	**1,941**	741
– Middle East	**1,330**	2,311
– Other countries	**831**	816
	6,916	7,199

The age analysis of trade receivables (exclude unbilled trade receivables) is as follows:

	Group	
	As at 31 Dec 2018 $'000	**As at 30 Jun 2017 $'000**
Not past due and not impaired	**3,152**	823
Past due but not impaired		
– Past due 0 to 3 months	**3,105**	3,966
– Past due over 3 months	**659**	2,410
	3,764	6,376
Past due and impaired trade receivables	**3,080**	3,405
Less: Allowance for impairment loss	**(3,080)**	(3,405)
	6,916	7,199

The amounts presented in the statement of financial position are net of allowance for impairment of trade receivables. Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are assessed to be in financial difficulties and have defaulted on payments, which includes an amount of $2,570,000 (30 June 2017: $2,570,000) due from a single customer in Singapore who is now placed under judicial management. These receivables are not secured by any collateral or credit enhancements.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment of trade receivables is as follows:

	Group	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Balance at beginning of period/year	**3,405**	3,119
(Reversal of)/Allowance made during the period/year	**(273)**	280
Allowance written off	**(54)**	–
Translation difference	**2**	6
Balance at end of period/year	**3,080**	3,405

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately $3,764,000 (30 June 2017: $6,376,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are deemed recoverable. The Group does not hold any collateral over these balances.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 3 months.

As other receivables are not significant, no detailed age analysis has been set out as above.

Impairment on amount due from joint ventures

In financial year 2017, an allowance for impairment amounting to approximately $2,179,000 was made to amounts due from associate and joint venture companies (Note 9) whose financial capability to repay is in doubt based on its current financial performance. These amounts are not secured by any collateral or credit enhancements.

(iv) Financial instruments by category

The following table sets out the financial instruments as at reporting date:

	Group		Company	
	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2017 $'000
Loans and receivables	**10,413**	8,104	**748**	5,983
Financial liabilities at amortised cost	**57,228**	50,322	**419**	225

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

Capital risk management policies and objectives

	Note	Group	
		As at 31 Dec 2018	**As at 30 Jun 2017**
		$'000	**$'000**
Interest-bearing loans and borrowings	18	**26,191**	34,295
Bills payables	16	**4,721**	3,565
Trade payables		**5,143**	6,592
Other payables and accruals	17	**9,832**	6,367
Due to controlling shareholders	9	**11,625**	1,000
Less: Cash and cash equivalents	14	**(2,453)**	(1,363)
Net debts		**55,059**	50,456
Equity attributable to the owners of the Company		**–**	70
Less: Statutory reserve fund		**(15)**	(15)
Total capital		**(15)**	55
Capital and net debt		**55,044**	50,511
Gearing ratio		**100%**	100%

The Group is not subject to any externally imposed capital requirements for the financial period ended 31 December 2018 and financial year ended 30 June 2017.

(i) Fair value of financial instruments that are carried at fair value on a recurring or non-recurring basis

At the reporting date, there are no financial instruments in this category.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables (including amounts due from subsidiaries, associate and joint venture companies), trade and other payables (including amounts due to controlling shareholders, related party and associates) and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of the loan with fixed interest rate and amount due to former landlord are not disclosed as there is no market data for alternative financing to the Group on similar term.

34. COMPARATIVE FIGURES

On 29 June 2018, the Company changed its financial year end from 30 June to 31 December. Accordingly, the current financial period covers a period of 18 months from 1 July 2017 to 31 December 2018. Hence, the comparative figures stated in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are not comparable.

35. SUBSEQUENT EVENT

On 4 March 2019, the Company entered into a subscription agreement with a third party investor. The third party investor has agreed to subscribe for zero coupon convertible bonds with principal amount of $5,350,050, at issue price of 95% of the principal amount of the bond. After one year anniversary from the subscription date, the bonds are convertible into new ordinary shares in the capital of the Company at the option of the subscriber at $0.040 per share up to maximum of 135 million shares. Any unconverted balance are to be redeemed at the principal amount on the 5th anniversary of the subscription date. 80% and 20% of the proceeds from the bond issue will be used for the Group's expansion plan and general working capital purposes respectively.

As at the date of this report, the completion of subscription agreement is subject to SGX's and shareholders' approval.

36. OTHER MATTER

On 30 October 2017, a director of the Company then was requested to assist in an investigation by the Monetary Authority of Singapore ("MAS") and the Commercial Affairs Department ("CAD") of the Singapore Police Force concerning a possible offence under the Securities and Futures Act (Chapter 289). The director resigned from his position as a director of the Company with effect from 2 November 2017.

On 14 December 2017, the Company received a notice from the MAS for an investigation conducted into an offence under the Securities and Futures Act (Chapter 289) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) which required them to provide MAS with access to certain documents and information relating to the Group from 1 August 2014 to 31 December 2015.

On 25 July 2018, the Company received a notice from the CAD which states that an investigation is being conducted into an offence under the Penal Code (Chapter 224) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) which required them to provide access to certain documents and information concerning the Group, including documents, correspondence and accounting records pertaining to certain transactions, and corporate emails belonging to and IT equipment used by certain management staff.

On 23 August 2018, the Group's Executive Chairman then (also a director of the Company who has since resigned on 28 December 2018) received a letter from the CAD which states that an investigation is being conducted into an offence under the Penal Code (Chapter 224) pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition). On the same day, the Executive Chairman was interviewed by the CAD. The other directors of the Company then were also interviewed by the CAD subsequently.

The MAS and the CAD have not given the Company any further details of its investigations. The Company will continue to monitor the progress of this matter.

The directors of the Company are not aware of any offence, wrongdoing or fraud that has been committed by any officer of the Group in respect of the Group's affairs, or by the Group. The business and operations of the Group have not been affected by the investigation and has continued as normal. The directors are of the view that the investigation will not have a material impact on the operations and financial statements of the Group.

SHAREHOLDING STATISTICS

AS AT 17 MAY 2019

Issued and paid-up capital	:	$39,653,920.88
Number of shares	:	315,669,019
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company holds no treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 17 May 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 – 99	13	1.52	113	0.00
100 – 1,000	27	3.17	19,037	0.01
1,001 – 10,000	301	35.29	1,831,526	0.58
10,001 – 1,000,000	494	57.91	43,441,918	13.76
1,000,001 and above	18	2.11	270,376,425	85.65
Total	**853**	**100.00**	**315,669,019**	**100.00**

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 17 May 2019

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	**%(1)**	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Director						
Tan Kheng Kuan(2)	977,756	0.31	123,200,000	39.03	124,177,756	39.34
Liu Changsheng(3)	–	–	47,000,000	14.89	47,000,000	14.89
Substantial Shareholder						
Tan Tock Han(2)	44,583,191	14.12	123,200,000	39.03	167,783,191	53.15
Tan Kheng Yeow(2)	264,400	0.08	123,200,000	39.03	123,464,400	39.11
Kim Teck Leong Pte. Ltd.	123,200,000	39.03	–	–	123,200,000	39.03
Changsheng Investment Development Limited	47,000,000	14.89	–	–	47,000,000	14.89

Notes:

(1) Calculated based on the Existing Issued Share Capital of 315,669,019 Shares.

(2) Tan Kheng Kuan, Tan Tock Han and Tan Kheng Yeow are deemed to have an interest in 123,200,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act.

(3) Liu Changsheng holds 100% of the issued and paid-up share capital of Changsheng Investment Development Limited and, accordingly, is deemed to have an interest in the ordinary shares in the capital of the Company held by Changsheng Investment Development Limited.

SHAREHOLDING STATISTICS

AS AT 17 MAY 2019

TWENTY LARGEST SHAREHOLDERS

As at 17 May 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	KIM TECK LEONG PTE. LTD.	123,200,000	39.03
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	47,500,015	15.05
3	TAN TOCK HAN	40,790,591	12.92
4	DBS NOMINEES PTE LTD	20,449,216	6.48
5	SUNG SIL KWON	9,450,000	2.99
6	TAN CHEE LIN	3,830,500	1.21
7	DBSN SERVICES PTE LTD	3,792,600	1.20
8	TANG GAR KEOW @ANGIE TANG	3,346,600	1.06
9	BERETTA MARK GARETH JOSEPH	3,072,903	0.97
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,905,000	0.92
11	CITIBANK NOMINEES SINGAPORE PTE LTD	2,090,200	0.66
12	CHAN HING KA ANTHONY	1,680,000	0.53
13	POH THEEN SIAH GEORGE	1,622,800	0.51
14	TING LAY CHOO	1,569,000	0.50
15	EASTERN NAVIGATION PTE LTD	1,422,400	0.45
16	ABN AMRO CLEARING BANK N.V.	1,346,900	0.43
17	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,304,500	0.41
18	NG SENG HONG	1,003,200	0.32
19	HUANG XIAOFANG	1,000,000	0.32
20	TAN CHONG HIOK	1,000,000	0.32
	Total	**272,376,425**	**86.28**

FREE FLOAT

Based on the information provided to the Company as at 17 May 2019, approximately 30.59% of the issued ordinary shares (excluding treasury shares) of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

KTL GLOBAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200704519M)

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting (the "**AGM**") of KTL Global Limited (the "**Company**") will be held at Acacia Level 1, The Arena Country Club on 511 Upper Jurong Road, Singapore 638366 on Friday, 28 June 2019 at 2.00 pm for the following purposes:–

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited financial statements for the 18-month financial period ended 31 December 2018, together with the Directors' Statement and Independent Auditors' Report.

Resolution 2

2. To re-elect Mr Lim Yeow Hua @ Lim You Qin who is retiring by rotation pursuant to Article 104 of the Company's Constitution and who, being eligible, is offering himself for re-election as a director of the Company (a "**Director**").

   *Mr Lim will, upon re-election as a Director, remain as the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

3. To note the retirement of Mr Sunny Wong, who is retiring by rotation pursuant to Article 104 of the Company's Constitution.

   As Mr Sunny Wong has served as an Independent Director of the Company for a period of more than nine years, he will not be seeking re-election and will retire as a Director of the Company at the close of the AGM.

Resolution 3

4. To re-elect Mr Tan Kheng Kuan who is retiring pursuant to Article 114 of the Company's Constitution and who, being eligible, is offering himself for re-election as a Director.

Resolution 4

5. To re-elect Mr Liu Changsheng who is retiring pursuant to Article 114 of the Company's Constitution and who, being eligible, is offering himself for re-election as a Director.

Resolution 5

6. To approve the payment of Directors' fees of S$260,727 for the 18-month financial period ended 31 December 2018 (FY2017: S$176,000).

Resolution 6

7. To approve the payment of the Directors' fees of up to S$186,000 to be paid quarterly in arrears for the financial year ending 31 December 2019.

Resolution 7

8. To re-appoint Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to set their remuneration.

9. To transact any other ordinary business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

Resolution 8

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

“General authority to allot and issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 (the “**Companies Act**”) and the Listing Manual of the SGX-ST (the “**Listing Manual**”), authority be and is hereby given to the Directors to:–

(A) (i) allot and issue shares in the capital of the Company, whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, the “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:–

(1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) (the “**Issued Shares**”), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (the “**Shareholders**”) (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of Issued Shares;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this authority is given, after adjusting for:–

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(ii) any subsequent bonus issue, consolidation or sub-division of shares;

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

Resolution 9

11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

"Share purchase mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire ordinary shares (the "**Shares**") in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:–

(i) market purchases (each a "**Market Purchase**") transacted on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit,

in accordance with the Companies Act, the Listing Manual and all other laws, rules and regulations as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:–

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which purchases or acquisitions of Shares have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting;

(c) in this Resolution:–

"**Prescribed Limit**" means 10% of the issued Shares (excluding any treasury shares and subsidiary holdings), as at the date of the passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as defined below), in which event the issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding any subsidiary holdings and any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of passing of this Resolution and expiring on the date the next annual general meeting of the Company is held or required by law to be held, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:–

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:–

"**Average Closing Price**" is the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase, or the day of the making of the offer pursuant to the Off-Market Purchase, as the case may be, and deemed to be adjusted for any corporate action that occurs after such five-day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient, necessary or desirable to give effect to the transactions contemplated by this Resolution."

[see Explanatory Note (ii)]

Resolution 10

12. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

"<u>Proposed Renewal of the Performance Share Scheme</u>

That:

(a) the extension of the duration of the "KTL Performance Share Scheme" (the "**Scheme**") for a period of ten (10) years from 23 October 2019 to 22 October 2029 (both dates inclusive) be and is hereby approved;

(b) the Scheme, the details and rules of which are set out in Annex A of the Letter to Shareholders dated 12 June 2019, under which awards (the "**Awards**") of Shares in the form of existing Shares held as treasury shares and/or new Shares will be delivered free of charge, to selected employees of the Company and its subsidiaries and other selected participants, be and is hereby approved;

(c) the Directors be and are hereby authorised to establish and administer the Scheme and to modify, amend and/or supplement the Scheme from time to time, provided that such modification, amendment and/or supplement is effected in accordance with the provisions of the Scheme, and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme; and

(d) the Directors be and are hereby authorised and empowered to grant Awards in accordance with the provisions of the Scheme and to allot and issue from time to time such number of fully-paid Shares in the form of existing Shares held as treasury Shares and/or new Shares as may be required to be delivered pursuant to the vesting of the Awards under the Scheme, provided that the aggregate number of Shares to be issued pursuant to the Scheme, when added to the number of Share issued and issuable in respect of all Awards granted under the Scheme and all other Shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time."

[see Explanatory Note (iii)]

Resolution 11

13. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

"Proposed Participation by Tan Kheng Kuan in the Scheme

That pursuant to Rule 853 of the Listing Manual and subject to and contingent upon the passing of Resolution 10, the participation of Tan Kheng Kuan in the Scheme, be and is hereby approved."

Resolution 12

14. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

"Proposed Participation by Tan Tock Han in the Scheme

That pursuant to Rule 853 of the Listing Manual and subject to and contingent upon the passing of Resolution 10, the participation of Tan Tock Han in the Scheme, be and is hereby approved."

BY ORDER OF THE BOARD

Ng Kok Peng
Company Secretary
Singapore
12 June 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:–

(i) Ordinary Resolution 8 proposed in item 10 above, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 8 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and (c) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

(ii) The Ordinary Resolution 9 proposed in item 11 above, if passed, will empower the Directors to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Purchase Mandate does not exceed the Prescribed Limit, and at such price(s) as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The information relating to the Ordinary Resolution 9 is set out in the Appendix enclosed together with the Annual Report.

(iii) Ordinary Resolution 10 proposed in item 12 above, if passed, will empower the Directors to grant awards under the Scheme and to allot and issue shares pursuant to the vesting of awards under the said Scheme, provided that the number of shares to be issued, when added to the number of shares issued and issuable in respect of all awards granted under the said Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:–

(i) Unless otherwise permitted under the Companies Act, member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

(iii) A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

(iv) If the member is a corporation, the instrument appointing the proxy must be under its common seal or signed by its duly authorised officer or attorney.

(v) The duly executed instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7 Gul Road, Singapore 629364 not less than 48 hours before the time appointed for holding the AGM.

Personal data privacy:–

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof) and the publication of the names and comments of the members at the AGM, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Lim Yeow Hua @ Lim You Qin, Mr Tan Kheng Kuan and Mr Liu Changsheng are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 June 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MR LIM YEOW HUA @ LIM YOU QIN	**MR TAN KHENG KUAN**	**MR LIU CHANGSHENG**
Date of Appointment	31 October 2007	2 November 2017	10 December 2018
Date of last re-appointment	23 October 2017	–	–
Age	57	39	44
Country of principal residence	Singapore	Singapore	China
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 qualification, work experience and suitability of Mr Lim Yeow Hua @ Lim You Qin for re-appointment as Non-Executive Chairman and Lead Independent Director of the Company. The Board has reviewed and concluded that Mr Lim Yeow Hua @ Lim You Qin possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Tan Kheng Kuan for re-appointment as Chief Executive Officer and Executive Director of the Company. The Board has reviewed and concluded that Mr Tan Kheng Kuan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Liu Changsheng for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Liu Changsheng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Responsible for executing the Group's strategies and overseeing the Group's day-to-day operations and administrative matters, including sales, marketing and business development in Singapore.	Executive Managing the operations of the Group's business.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration, Nominating and Performance Share Scheme Committees	Chief Executive Officer and Executive Director	Executive Director
Working experience and occupation(s) during the past 10 years	2006 to present Founder and a Director of Asia Pacific Business Consultants Pte. Ltd., which has been amalgamated into In.Corp Global Pte. Ltd.	2007 to 2009 Operations Director, KTL Global Limited 2009 to 2017 Director of Administration, KTL Global Limited	2009 to 2011 General Manager, Hualing Investment Holding Group 2011 to 2015 Deputy Head, China Construction Bank, Henan Branch 2015 to 2017 Co-founder, eCapital (China) Finance Leasing 2015 to 2018 Founder, GuoRong China Finance Bank (Beijing) Asset Management
Shareholding interest in the listed issuer and its subsidiaries	No	Direct interest: 977,756 Deemed interest: 123,200,000	Deemed interest: 47,000,000
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	No	Mr Tan Kheng Kuan is the son of Mr Tan Tock Han, a substantial shareholder of the Company, and the brother of Mr Tan Kheng Yeow, a substantial shareholder of the Company.	No
Conflict of Interest (including any competing business)	No	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	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
Other Principal Commitments* Including Directorships# (for the last 5 years) * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the past 5 years): Advanced Integrated Manufacturing Corp. Ltd. China Minzhong Food Corporation Limited Eratat Lifestyle Limited (in liquidation) Ying Li International Real Estate Limited Asia Pacific Business Consultants Pte. Ltd. Global Business Management Services Pte. Ltd. Present: Accrelist Ltd KSH Holdings Limited Oxley Holdings Limited In.Corp Global Pte. Ltd. * Companies in which Mr Lim Yeow Hua @ Lim You Qin was appointed as a director for the purpose of incorporation or as a nominee director and in the course of his professional practice have not been included.	Past (for the past 5 years): Paradot Pte. Ltd. Wiljohn Pte. Ltd. Present: KTL Offshore Pte. Ltd. Kim Teck Leong Pte. Ltd. KTL Offshore Services Pte. Ltd. Future Synthetics Pte. Ltd. KTL Offshore (Malaysia) Sdn. Bhd. KTL Realty Holding Sdn. Bhd. KTL Offshore Services (Malaysia) Sdn. Bhd. KTL Offshore Trading (Malaysia) Sdn. Bhd. Pt. KTL Offshore Indonesia Bluegas Private Limited	Past (for the past 5 years): Qingdao Zhongheng Huaxin Financial Leasing Co., Ltd HBDHF Finance Limited Present: GS Holdings Limited GuoRong China Finance Bank (Beijing) Asset Management Limited Changsheng Investment Development Limited Bluegas Private Limited Henan Shengning Industrial Co., Ltd. Henan Express Carving Building Material Co., Ltd. Raffles Financial Limited Raffles Xchange Limited
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	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
(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	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(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	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
(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	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	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
(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	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	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	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	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	MR TAN KHENG KUAN	MR LIU CHANGSHENG
(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, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM YEOW HUA @ LIM YOU QIN	**MR TAN KHENG KUAN**	**MR LIU CHANGSHENG**
(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	No
Disclosure applicable to the appointment of Director only.			
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.	N.A.

LETTER TO SHAREHOLDERS

KTL GLOBAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200704519M)

Board of Directors:	**Registered Office:**
Mr Lim Yeow Hua @ Lim You Qin (Non-Executive Chairman and Lead Independent Director)	7 Gul Road
Mr Tan Kheng Kuan (Chief Executive Officer)	Singapore 629364
Mr Liu Changsheng (Executive Director)	
Mr Wong Fook Choy Sunny (Independent Director)	

12 June 2019

To: The Shareholders of KTL Global Limited ("**Shareholders**")

Dear Sir/Madam

(1) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

(2) PROPOSED RENEWAL OF THE KTL PERFORMANCE SHARE SCHEME

(3) PROPOSED PARTICIPATION BY TAN KHENG KUAN AND TAN TOCK HAN IN THE PROPOSED KTL PERFORMANCE SHARE SCHEME

We refer to the Notice of the Annual General Meeting (the "**2018 AGM**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") dated 12 June 2019 in respect of the AGM to be held on Friday, 28 June 2019 at 10.00 am at Acacia Level 1, The Arena Country Club on 511 Upper Jurong Road, Singapore 638366 (a) Resolution 9 being the ordinary resolution for the proposed renewal of the share purchase mandate, (b) Resolution 10 being the ordinary resolution for the proposed renewal of the KTL Performance Share Scheme (the "**Scheme**"), (c) Resolution 11 being the ordinary resolution for the proposed participation by Tan Kheng Kuan in the Scheme and (d) Resolution 12 being the ordinary resolution for the proposed participation by Tan Tock Han in the Scheme.

The purpose of this Letter is to provide Shareholders with the relevant information in relation to the above, and to seek Shareholders' approval at the forthcoming AGM for the matters set out in this Letter.

1. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1.1 Introduction

Shareholders had approved a mandate (the "**Share Purchase Mandate**") at the extraordinary general meeting held on 7 October 2009 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**"). The Share Purchase Mandate had been subsequently renewed at the annual general meetings held on 22 October 2010, 21 October 2011, 19 October 2012, 21 October 2013, 20 October 2014, 28 June 2015, 26 October 2016 and 23 October 2017. The authority conferred on the directors of the Company (the "**Directors**") under the current Share Purchase Mandate will expire at the forthcoming 2018 AGM to be held on Friday, 28 June 2019.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the Share Purchase Mandate. The purpose of this letter ("**Letter**") is to provide Shareholders with information in relation to the renewal of the Share Purchase Mandate.

1.2 **Rationale for the Share Purchase Mandate**

The rationale for the Company to undertake the purchase or acquisition of its Shares is that the Share Purchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The Share Purchase Mandate will also allow the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves, with a view to enhancing the net tangible assets and/or earnings per Share.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would have or may have a material adverse effect on the financial condition, liquidity and capital of the Company and the Group.

1.3 **Authority and limits of the Share Purchase Mandate**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if renewed at the 2018 AGM, are summarised below:

(a) Maximum Number of Shares

The Company may purchase only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued Shares (excluding any treasury shares and subsidiary holdings) as at the date of the 2018 AGM on which the resolution renewing the Share Purchase Mandate is passed (the "**Approval Date**"), unless the Company has thereafter, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 (the "**Companies Act**"), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding any treasury shares and subsidiary holdings). "**Relevant Period**" means the period commencing from the date on which the Share Purchase Mandate is renewed and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.

For illustrative purpose, as at 17 May 2019 (the "**Latest Practicable Date**"), the Company had 315,669,019 issued Shares (with no treasury shares and subsidiary holdings) and thus up to 31,566,901 issued Shares may be purchased by the Company, assuming that the number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company remains unchanged up to the date of the 2018 AGM.

(b) Duration of Authority

Purchases of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders in general meeting.

(c) Manner of Purchase

Purchases of Shares may be made on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Market Purchases**") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**") as defined in Section 76C(6) of the Companies Act.

Market Purchases refer to purchases of Shares by the Company effected on the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:

(aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(bb) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed share purchase;

(iv) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") or other applicable take-over rules;

(v) whether the share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST;

(vi) details of any share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commissions, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in Shares were recorded, preceding the day of the Market Purchase, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities.

1.4 **Status of Purchased Shares**

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. According to the key provisions on treasury shares under the Companies Act:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other Rights

The Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. In particular, the Company will not have the right to attend or vote at meetings and/or to receive any dividends in respect of treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

The Company may dispose of treasury shares at any time in the following ways:

(i) selling the treasury shares for cash;

(ii) transferring the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancelling the treasury shares; or

(v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

1.5 **Source of funds**

The Companies Act permits the Company to purchase its Shares out of capital or profits so long as the Company is solvent. For this purpose, the Company is solvent if at the date of the payment for the Shares, the following conditions are satisfied:

(a) there is no ground on which the Company could be found to be unable to pay its debts;

(b) if (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company will use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of its Shares.

1.6 **Financial effects**

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the proposed Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased, the purchase prices paid at the relevant times, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases.

(a) Purchase or Acquisition Out of Capital or Profits

Where the purchase of Shares is made out of distributable profits, such purchase (including costs incidental to the purchase) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

(b) Illustrative Financial Effects

For illustrative purposes only and on the basis of the following assumptions:

(i) that the purchase or acquisition by the Company of 31,566,901 Shares, being the number of Shares which the Company may purchase and hold as treasury shares, was made on 31 December 2018;

(ii) that the Company purchased or acquired Shares via Market Purchases at the Maximum Price of $0.039389 for each Share (being 105% of the Average Closing Price as at 31 December 2018);

(iii) that the purchase or acquisition of Shares by the Company, which required funds amounting to $879,858 was financed entirely using its internal sources of funds and bank borrowings; and

(iv) that the purchase or acquisition of Shares was made entirely out of profits and the Shares were held as treasury shares after the purchase or acquisition, the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**"), are set out below.

	Group		Company	
	Before Share Purchase	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
As at 31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**
Share capital	36,776	36,776	36,776	36,776
Reserves	(53,951)	(53,951)	(36,403)	(36,403)
Treasury shares	–	(880)	–	(880)
Shareholders' funds	(17,175)	(18,055)	373	(507)
Net tangible assets[1]	(17,102)	(17,982)	373	(507)
Current assets	23,646	22,766	756	8
Current liabilities	53,941	53,941	434	566
Working capital	(30,295)	(31,175)	322	(558)
Total liabilities[2]	57,523	57,523	434	434
Cash and bank balances[2]	2,453	1,573	748	–
Number of Shares ('000)	315,669	284,102	315,669	284,102
Financial Ratios				
Net tangible assets per Share (cents)	(5.42)	(6.33)	0.12	(0.18)
Earnings per Share (cents)	(6.22)	(6.91)	(9.43)	(10.48)
Gearing ratio[3] (times)	n.m.[5]	n.m.[5]	–	–
Current ratio[4] (times)	0.44	0.42	1.74	0.01

Notes:

(1) Net tangible assets equal total net assets less deferred expenditure and other intangible assets.

(2) As funding for the Share purchases is assumed to be obtained from the subsidiaries, the cash and bank balances and total liabilities at the Company level are not affected.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

(5) n.m.: not meaningful.

Shareholders should note that the financial effects set out in this paragraph 1.6 are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical FY2018 numbers and are in no way indicative of the Company's real financial position or a forecast of the Company's financial figures.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

1.7 **Listing Rules**

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last 5 Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 1.3(d) above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 am (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of 2 weeks immediately preceding the announcement of the Company's quarterly results or 1 month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

1.8 **Listing status on the SGX-ST**

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its issued Shares (excluding treasury shares) are in the hands of the public. The "public", as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer, substantial shareholders and controlling shareholder of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there were approximately 96,570,769 issued Shares in the hands of the public (as defined above), representing 30.59% of the total number of issued Shares (excluding treasury shares) of the Company. Assuming that the Company purchases 315,669,019 Shares, which represents the full 10% limit pursuant to the Share Purchase Mandate through Market Purchases, the number of issued Shares in the hands of the public would be reduced to approximately 65,003,868 Shares, representing 22.88% of the total number of issued Shares (excluding treasury shares) of the Company. As at the Latest Practicable Date, the Company held no treasury shares.

Under the Companies Act, in the event that the number of Shares held as treasury shares by the Company at any time exceeds 10% of the total number of issued Shares at that time, the Company shall dispose of or cancel the excess treasury shares within 6 months.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without:

(i) affecting adversely the listing status of the Shares on the SGX-ST;

(ii) causing market illiquidity; or

(iii) affecting adversely the orderly trading of Shares.

1.9 **Tax implications**

When a company purchases its own shares using its distributed profits or contributed capital, it will be regarded as any other disposal of shares by the shareholders from whom the shares are acquired.

For income tax purposes, whether or not the proceeds received by the Shareholders are taxable in the hands of the Shareholders who sell their Shares to the Company for which the purchases were made out of distributed profits or contributed capital will depend on whether such proceeds are receipts of an income or capital nature.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

1.10 **Implications of Take-Over Code**

(a) <u>Obligation to Make a Take-over Offer</u>

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 ("**TOC Appendix 2**") of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:

(i) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or

(ii) if they together hold between 30% and 50% of the Company's voting rights, their voting rights increase by more than 1% in any period of six (6) months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

(b) Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% or more of the equity share capital of a company will be regarded as the test of associated company status.

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

As at the Latest Practicable Date, Kim Teck Leong Pte. Ltd., the controlling Shareholder of the Company, together with persons acting in concert with it, comprising Tan Tock Han, Tan Kheng Yeow, Tan Kheng Kuan and Tan Suan Suan, who are shareholders of Kim Teck Leong Pte. Ltd., and Cheong Hooi Kheng who is the sister-in-law of Tan Tock Han, collectively held approximately 53.59% of the voting rights of the Company. They would not be obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of any purchase of Shares by the Company under the Share Purchase Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

1.11 **Reporting requirements**

Within 30 days of the passing of the Shareholders' resolution to renew the Share Purchase Mandate, the Directors shall lodge a copy of such resolution with the Registrar of Companies (the "**Registrar**").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

1.12 **Share Purchases in the previous 12 months**

The Company had not purchased any Shares in the 12 months preceding the Latest Practicable Date.

2. THE PROPOSED RENEWAL OF THE KTL PERFORMANCE SHARE SCHEME

2.1 Background

The Scheme was approved by Shareholders at an extraordinary general meeting of the Company on 23 October 2009. The Plan was adopted for an initial duration of up to a maximum of ten (10) years, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required. The initial duration of the Scheme will expire on 22 October 2019.

2.2 Proposed renewal and rationale

The Company had implemented the Scheme in order to:

(a) increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees of the Group (the "**Group Employees**") to achieve superior performance;

(b) further strengthen the Company's competitiveness in attracting and retaining local and foreign talent; and

(c) incentivise all persons selected by the Performance Share Scheme Committee (the "**Committee**") to participate in the Scheme (the "**Participants**") to excel in their performance and encourage greater dedication and loyalty to the Company.

Through the Scheme, the Company will be able to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group's long-term growth. In addition, the Scheme aims to foster an ownership culture within the Group which aligns the interests of the Participants with the interests of Shareholders.

The Scheme contemplates the award of fully paid Shares when or after pre-determined performance targets are accomplished and/or when due recognition should be given to any good work performance and/or any significant contribution to the Group. The Shares to be awarded pursuant to the Scheme is in addition to any annual cash bonus payment due to the Group Employees, such number of Shares to be awarded to be determined by the Committee in its sole discretion.

The Committee may also at its discretion decide to pay a percentage of a Group Employee's annual cash bonus payment in the form of Shares. The value of Shares to be issued and allotted to such Group Employees shall be based on a predetermined percentage of the value of the Group Employee's annual bonus and such predetermined percentage shall be determined at the sole discretion of the Committee. By giving the Group Employees the opportunity to participate in the equity of the Company as opposed to providing solely cash bonus payments for their performance, the Scheme aims to cultivate a greater sense of involvement in the Company amongst the Group Employees. The Company hence believes that the Scheme will be more effective than pure cash bonus payments in motivating Group Employees to put in their best efforts whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with other multi-national companies.

The Company has obtained the approval-in-principle from the SGX-ST for the listing and quotation of any new Shares to be issued pursuant to the Scheme. The approval-in-principle granted by the SGX-ST is in no way reflective of and is not to be taken as an indication of the merits of the Scheme, the new Shares, the Company and/or its subsidiaries.

As the Scheme is a key part of the Group's compensation arrangements, the Directors propose that the Scheme be extended for a further period of ten (10) years from (and including) 23 October 2019 up to (and including) 22 October 2029.

2.3 **Summary of the Scheme**

Besides the proposed renewal of the Scheme, all other rules of the Scheme (the "**Rules**") remain generally unchanged. The detailed Rules are set out in Annex A to this Letter. In addition, for completeness, the salient features of the Scheme are set out below.

2.4 **Eligibility**

The Scheme allows for participation by Group Employees (including Group Executive Directors), and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or before the relevant date of the award of Shares under the Scheme (the "**Awards**") provided that none shall be an undischarged bankrupt, and who, in the absolute discretion of the Committee, will be eligible to participate in the Scheme.

Persons eligible to participate in the Scheme who are also controlling shareholders or associates of a controlling shareholder would be eligible to participate in the Scheme. However, pursuant to Rule 845 of the Listing Manual, (i) the aggregate number of shares available to the controlling shareholders and their associates must not exceed 25% of the Shares available under the Scheme; and (ii) the number of Shares available to each controlling shareholder or his associate must not exceed 10% of the Shares available under the Scheme.

Pursuant to Rule 853 of the Listing Manual, participation in the Scheme by controlling shareholders and their associates must be approved by independent Shareholders of the Company and a separate resolution must be passed for each such person and to approve the actual number and terms of Awards to be granted to such person.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

2.5 **Awards**

Awards represent the right of a Participant to receive fully paid Shares free of charge, upon the Participant achieving prescribed performance targets and/or when due recognition should be given to any good work performance and/or significant contribution to the Company and/or when the Company decides to award Shares in addition to any annual cash bonus payment due to the Group Employees and/or pay part of a Group Employee's annual cash bonus payment in the form of Shares.

The Participant's overall job performance, including his designation and dedication, and potential for future development and contribution to the development and profitability of the Group will be taken into account before an Award is granted to him. In the case of a performance-related Award, the performance targets to be set are intended to be broad-based and shall take into account both the medium-term corporate objectives of the Group and the individual performance of the Participant. The corporate objectives shall cover market competitiveness, quality of returns, business growth and productivity growth. The performance targets could be based on criteria such as sales growth, growth in earnings and return on investment. The performance targets are aimed at sustaining long-term growth.

Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon (i) the Committee being satisfied that the Participant has achieved the performance targets and/or due recognition should be given for good work performance and/or significant contribution to the Company and the Company decides to award Shares in addition to any cash bonus payment due to the Group Employees and/or (ii) the Company decides to pay part of a Group Employee's annual cash bonus payment in the form of Shares.

LETTER TO SHAREHOLDERS

Awards may be granted at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day (being a day on which the SGX-ST is open for trading in securities) from the date on which the aforesaid announcement is made.

An Award letter confirming the Award will be sent to each Participant as soon as reasonably practicable after the Award is finalised, specifying, *inter alia*, in relation to the Award:

(a) in relation to a performance-related Award:

  (i) the performance target(s);

  (ii) the performance period during which the prescribed performance target(s) are to be satisfied;

(b) the number of Shares to be vested on the Participant; and

(c) the date by which the Award shall be vested.

The Committee will take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of the Company and the pre-determined dollar amount which the Committee decides that a Participant deserves for meeting his performance targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Scheme will comply with the relevant rules of the SGX-ST.

There are certain provisions as set out in Annex A for the vesting and lapsing of Awards apply in certain circumstances, including the following:

(a) the termination of the employment of a Participant (please refer to Rule 8.2 of Annex A);

(b) the ill health, injury, disability or death of a Participant (please refer to Rules 7.1 and 8.2 of Annex A);

(c) the bankruptcy of a Participant (please refer to Rule 8.1 of Annex A);

(d) the misconduct of a Participant (please refer to Rule 8.1 of Annex A);

(e) the Participant, being a Non-Executive Director, ceasing to be a director of the Company or the relevant subsidiary of the Company for any reason whatsoever (please refer to Rule 8.1 of Annex A); and

(f) a take-over, winding up or reconstruction of the Company (please refer to Rule 9 of Annex A).

LETTER TO SHAREHOLDERS

2.6 **Size and duration of the Scheme**

The total number of Shares which may be delivered pursuant to Awards granted under the Scheme, when added to the number of Shares issued and issuable under other share-based incentive schemes of the Company, shall not exceed 15% of the issued shares excluding treasury shares and any subsidiary holdings that may be held by the Company on the day preceding the relevant date of Award.

The Directors believe that the size of the Scheme will give the Company sufficient flexibility to decide the number of Shares to be offered under the Scheme. However, it does not indicate that the Committee will definitely issue Shares up to the prescribed limit. The Committee will exercise its discretion in deciding the number of Shares to be granted to each Participant under the Scheme. This, in turn, will depend on and be commensurate with the performance and value of the Participant to the Group.

The aggregate number of Shares that are available to controlling shareholders and their associates under the Scheme (including adjustments made in accordance with Rule 11 of the Scheme) shall not exceed 25% of the Shares available under the Scheme. The number of Shares that are available to each controlling shareholder or his associate under the Scheme (including adjustments made in accordance with Rule 11 of the Scheme) shall not exceed 10% of the Shares available under the Scheme.

The Company will be delivering Shares pursuant to Awards granted under the Scheme in the form of existing Shares held as treasury shares and/or an issue of new Shares. In determining whether to issue new Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, the Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing new Shares or purchasing existing Shares.

The Scheme shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on 23 October 2019 (being the date on which it is proposed to be renewed), provided always that the Scheme may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Scheme, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

2.7 **Operation of the Scheme**

Subject to prevailing legislation and SGX-ST guidelines, the Company will be delivering Shares to Participants upon vesting of their Awards by way of delivery of existing Shares held as treasury shares and/or the issue of new Shares.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or before the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

For purposes of the determination of Awards, the Committee has the right to make computational adjustments to figures extracted from the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events, and the right to amend the performance target(s) if the Committee decides that amended performance target(s) would be a fairer measure of performance.

2.8 **Adjustments and alterations under the Scheme**

(a) Variation of Capital

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, distribution or otherwise) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or

(b) the class and/or number of Shares over which future Awards may be granted under the Scheme,

shall be adjusted in such manner as the Committee may determine to be appropriate, which will not result in a Participant receiving a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not arbitrators) to be in their opinion, fair and reasonable.

(b) Modifications or alterations to the Scheme

The rules of the Scheme may be modified and/or altered from time to time by a resolution of the Committee, subject to compliance with the Listing Manual and such other regulatory authorities as may be necessary.

No modification or alteration shall be made to the rules of the Scheme to the advantage of the Participants except with the prior approval of Shareholders in general meeting. Further, no modification or alteration shall be made to the rules of the Scheme that will result in a Participant receiving a benefit that a Shareholder does not have.

2.9 **Disclosures in annual reports**

Pursuant to Rule 852 of the Listing Manual, the following disclosures (as applicable) will be made by the Company in its annual report for so long as the Scheme continues in operation:

(a) the names of the members of the Committee administering the Scheme; and

(b) in respect of the following Participants of the Scheme:

(i) Directors of the Company;

(ii) controlling shareholder and their associates; and

(iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Awards granted under the Scheme which, in aggregate, represent 5% or more of the aggregate of the total number of Shares available under the Scheme, the following information:

(i) name of the Participant;

(ii) aggregate number of Shares comprised in Awards granted to such Participant during the financial year under review;

(iii) aggregate number of Shares comprised in Awards granted to such Participant since the commencement of the Scheme to the end of the financial year under review;

(iv) aggregate number of Shares issued or transferred to such Participant pursuant to the vesting of Awards under the Scheme since the commencement of the Scheme to the end of the financial year under review; and

(v) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review.

2.10 **Role and composition of the Committee**

The Committee shall be responsible for the administration of the Scheme and shall consist of certain Directors. Notwithstanding this, any grant of Awards and allotment/issuance of Shares pursuant to the vesting of Awards would have to be recommended to and approved by the Board.

The Committee oversees executive development in the Group with the aim of building capable and committed management teams, through focused management and progressive policies which can attract and retain a pool of talented executives to meet the current and future growth of the Group.

The Committee shall have the power from time to time to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it deems fit, provided that:

(a) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of Shareholders in a general meeting;

(b) the modification or alteration must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and

(c) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the auditors of the Company) shall be final and binding, including any decision pertaining to disputes as to interpretation of the Scheme or any rule, regulations, procedure thereunder as to any rights under the Scheme.

In compliance with the requirements of the Listing Manual, any Participant of the Scheme who is a member of the Committee shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the Committee or by his associate.

2.11 **Rationale for participation by controlling shareholder and their associates**

Group Employees who are also controlling shareholder and their associates should be remunerated for their contribution to the Group on the same basis as other Group Employees who are not controlling shareholder or associates of controlling shareholder. Although controlling shareholder and their associates already have shareholding interests in the Company, the extension of the Scheme to include them will ensure that they are equally entitled to take part and benefit from the same. The Scheme is intended to be part of the remuneration package for Group Employees and the controlling shareholder and their associates should not be unduly discriminated against by virtue only of their existing shareholdings in the Company. The extension of the Scheme to controlling shareholder and their associates will enhance the long-term commitment of such controlling shareholder and their associates as they will continue to have a stake in the Company even if they sell down their existing Shares in the Company.

Eligible controlling shareholder and their associates shall be treated equally for the purposes of the Scheme. Accordingly, the Scheme does not unduly favour such controlling shareholder or their associates. The terms and conditions of the Scheme do not differentiate between eligible controlling shareholder and their associates from other Participants. In this manner, the Scheme would not unduly favour such controlling shareholder or their associates over other Participants.

Participation by controlling shareholder and their associates allows the Company to propose a more balanced and flexible remuneration package which would link an employee's total remuneration to the results of the Company, and this would in turn increase shareholder value. The grant of Awards to eligible controlling shareholder and their associates will act as an incentive for such persons to better their performance as the delivery of Shares pursuant to the Scheme is contingent upon prescribed performance targets and conditions being met and/or good work performance.

2.12 **Rationale for participation by Tan Kheng Kuan**

Tan Kheng Kuan is the Chief Executive Officer of the Company. He is also a controlling shareholder of the Company (please refer to paragraph 3 of this Letter for details of his shareholding interest). He is responsible for the execution of the Group's strategies and budgets to ensure the profitability of the Group. He oversees the day-to-day operations and administrative matters of the Group, including the sales, marketing and business development in Singapore.

The extension of the Scheme to Tan Kheng Kuan is consistent with the Company's objective to motivate its employees to achieve and maintain a high level of performance and contribution, which is vital to the success of the Company. Although Tan Kheng Kuan already as a substantial interest in the Company, the extension of the Scheme to him will ensure that he is equally entitled, with other Executive Directors who are not controlling shareholder, to take part in and benefit from this system of remuneration, thereby further enhancing his long-term commitment to the Company.

Pursuant to Rule 853 of the Listing Manual, and subject to the renewal of the Scheme, independent Shareholders' approval is sought for the participation by Tan Kheng Kuan in the Scheme.

The specific grant of Awards to any controlling shareholder or their associates will have to be approved by independent Shareholders of the Company in general meetings. The Company will seek independent Shareholders' approval before granting any Award to Tan Kheng Kuan and will specify in the relevant resolution the actual number and terms of Awards to be granted to Tan Kheng Kuan.

2.13 **Rationale for participation by Tan Tock Han**

Tan Tock Han was the Executive Chairman of the Company up until his resignation from the Board on 28 December 2018 and was also one of the founders of the Group. He currently remains as an employee of the Group through existing positions he holds in the Group's subsidiaries. Tan Tock Han is the father of Tan Kheng Kuan, the Chief Executive Officer of the Company, and of Tan Kheng Yeow, a controlling shareholder of the Company. Tan Tock Han is also a controlling shareholder of the Company (please refer to paragraph 3 of this Letter for details on his shareholding interest). As one of the founders of the Group, he had played a pivotal role in the growth and development of the Group. The Company believes that he has made and will continue to make invaluable contributions to the Group.

The extension of the Scheme to Tan Tock Han will ensure that he is equally entitled to take part and benefit from the Scheme and not be unduly discriminated against by virtue only of his existing shareholdings in the Company, thereby further enhancing his long-term commitment to the Company.

Pursuant to Rule 853 of the Listing Manual, and subject to the renewal of the Scheme, independent Shareholders' approval is sought for the participation by Tan Tock Han in the Scheme.

The specific grant of Awards to any controlling shareholders or their associates will have to be approved by independent Shareholders of the Company in general meetings. The Company will seek independent Shareholders' approval before granting any Award to Tan Tock Han and will specify in the relevant resolution the actual number and terms of Awards to be granted to Tan Tock Han.

2.14 **Rationale for participation by Non-Executive Directors**

While the Scheme caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include the Non-Executive Directors (including Independent Directors).

The Non-Executive Directors are persons from different professions and working backgrounds, bringing to the Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping the Group shape its business strategy by allowing the Group to draw on their diverse backgrounds and working experience. It is crucial for the Group to attract, retain and incentivise the Non-Executive Directors. By aligning the interests of the Non-Executive Directors with the interests of Shareholders, the Company aims to inculcate a sense of commitment on the part of the Non-Executive Directors towards serving the short and long-term objectives of the Group.

The Directors are of the view that including the Non-Executive Directors in the Scheme will show the Company's appreciation for, and further motivate them in their contribution towards the success of the Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of the Group, while it is desired that participation in the Scheme be made open to the Non-Executive Directors, any Awards that may be granted to any such Non-Executive Director would be intended only as a token of the Company's appreciation. In order to minimise any possible conflicts of interest, and so as not to compromise the objectivity of independent members of the Board, Non-Executive Directors would primarily continue to be remunerated for their services by way of Directors' fees.

For the purpose of assessing the contributions of the Non-Executive Directors, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by the Non-Executive Directors. In addition, the Committee will also consider the scope of advice given, extent of their input, assistance and expertise rendered to the committees on which they sit and the impact thereof on the growth, success and development of the Company and the Group, as well as their involvement and commitment to the Board. The Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all. Non-Executive Directors will abstain from making any recommendation as a Director and abstain from voting as a member of the Company when the grant of Awards to him is being considered.

It is envisaged that the vesting of Awards, and hence the number of Shares to be delivered to the Non-Executive Directors based on the criteria set out above will be relatively small, in terms of frequency and numbers. It is envisaged that the aggregate number of Shares set aside for the Non-Executive Directors (if any) will not exceed 5% of the Shares available under the Scheme. Based on this, the Directors are of the view that the participation by the Non-Executive Directors in the Scheme will not compromise the independent status of those who are Independent Directors.

2.15 **Financial effects of the Scheme**

(a) Share Capital

The Scheme will result in an increase in the Company's issued share capital only if new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under Scheme. However, if existing Shares are purchased for delivery to Participants in lieu of issuing new Shares to Participants, the Scheme will have no impact on the Company's issued share capital.

(b) Net tangible assets ("**NTA**")

The Scheme will result in a charge to the Company's and Group's statements of profit or loss which is equal to the fair value of the Awards over the period from the date of grant to the vesting date. In addition, when new Shares are issued under the Scheme, there would be no effect on the NTA of the Group and the Company. If existing Shares are purchased for delivery to Participants, the NTA of the Group and the Company would decrease by the cost of Shares purchased.

Although the Scheme will result in a charge to the income statements of the Company and the Group, it should be noted that Awards are granted only on a selective basis and will be granted to Participants whom the Company believes would have contributed or will contribute to its success including financial performance. In particular, the grant of Awards and delivery of Shares to Participants of the Scheme are contingent upon prescribed performance targets and conditions being met and/or good work performance. Therefore, Participants would have contributed to or will contribute to value add to the NTA of the Company and the Group before the Awards are granted and Shares delivered.

(c) Earnings per Share ("**EPS**")

The Scheme will result in a charge to earnings equivalent to the fair value of the Awards at the date of grant over the period from the date of grant to the vesting date.

Although the Scheme will have a dilutive impact on the EPS of the Company and the Group (to the extent that new Shares are issued under the Scheme), the delivery of Shares to Participants in respect of Awards granted under the Scheme is contingent upon prescribed performance targets and conditions being met and/or good work performance, which will take into consideration the contributions of the Participants towards the financial performance of the Group.

(d) Dilutive impact

It is expected that the dilutive impact of the Scheme on the NTA and EPS would not be significant.

(e) Potential cost of Awards

The Scheme is considered a share-based payment that falls under the scope of Financial Reporting Standard 102 ("**FRS 102**"). The Awards if settled by way of issue of new Shares or the purchase of existing Shares, would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to profit or loss over the period between the date of grant and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the date of grant and where there are non-market conditions attached (see the following paragraph), the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is subject to revision, and the impact of the revised estimate will be recognised in profit or loss with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to profit or loss will be made. The amount charged to profit or loss would be the same whether the Company settles the Awards by issuing new Shares or by purchasing existing Shares.

The amount of the charge to the profit or loss also depends on whether or not the performance target attached to an Award is a "market condition", that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the date of grant, and no adjustments to amounts charged to profit or loss is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the probability of the target being met is not taken into account in estimating the fair value of the Shares granted at the date of grant. Instead, it is subsequently considered at each accounting date in assessing whether the Awards would vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to profit or loss if the Awards do not ultimately vest.

2.16 **Disclosure of previous Awards granted under the Scheme**

As at the Latest Practicable Date, a total of 5,497,000 Awards have been granted or are outstanding under the previous Scheme, and there were 23 Participants under the previous Scheme. Details of Awards granted to Directors, controlling shareholders and their associates under the previous Scheme are as follows:

Name of participant	**Date of Award**	**Number of shares comprised in Awards**	**Number of shares delivered upon vesting of Awards**
Mark Gareth Joseph Beretta	20 October 2015	403,729	403,729
Mark Gareth Joseph Beretta	1 September 2014	1,956,246	1,956,246
Mark Gareth Joseph Beretta	14 September 2011	145,349	145,349
Mark Gareth Joseph Beretta	7 April 2011	88,889	88,889
Mark Gareth Joseph Beretta	2 September 2010	238,690	238,690

There are no material conditions to which the Awards were subject to.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders in the share capital of the Company as at the Latest Practicable Date, as recorded in the Register of Director's Shareholdings and the Register of Substantial Shareholders kept by the Company, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	**%(3)**	**Number of Shares**	**%(3)**
Directors				
Tan Kheng Kuan(1)	977,756	0.31	123,200,000	39.03
Liu Changsheng(2)	–	–	47,000,000	14.89
Substantial Shareholders (other than Directors)				
Kim Teck Leong Pte. Ltd.(1)	123,200,000	39.03	–	–
Changsheng Investment Development Limited	47,000,000	14.89	–	–
Tan Tock Han(1)	44,583,191	14.12	123,200,000	39.03
Tan Kheng Yeow(1)	264,400	0.08	123,200,000	39.03

Notes:

(1) Tan Kheng Kuan, Tan Tock Han and Tan Kheng Yeow are deemed to have an interest in the 123,200,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act.

(2) Liu Changsheng holds 100% of the issued and paid-up share capital of Changsheng Investment Development Limited and, accordingly, is deemed to have an interest in the ordinary shares in the capital of the Company held by Changsheng Investment Development Limited.

(3) The percentages of issued share capital are calculated based on 315,669,019 issued shares in the capital of the Company (with there being no treasury shares).

4. DIRECTORS' RECOMMENDATIONS

4.1 Proposed renewal of the Share Purchase Mandate

Having fully considered the rationale for the renewal of the Share Purchase Mandate set out in this Letter, the Directors believe that the renewal of the Share Purchase Mandate is in the best interest of the Company. The Board of Directors recommend that Shareholders vote in favour of Resolution 9, being the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the forthcoming 2018 AGM.

4.2 Proposed renewal of the KTL Performance Share Scheme

The Directors are eligible to participate in and are therefore interested in the Scheme. They have accordingly abstained from making any recommendation on Resolution 10 relating to the renewal of the Scheme.

4.3 Proposed participation by Tan Kheng Kuan in the Scheme

The Directors, save for Tan Kheng Kuan, are of the opinion that participation by Tan Kheng Kuan in the Scheme is in the best interest of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 11 relating to the proposed participation by Tan Kheng Kuan in the Scheme.

4.4 **Proposed participation by Tan Tock Han in the Scheme**

The Directors, save for Tan Kheng Kuan of whom Tan Tock Han is an associate, are of the opinion that participation by Tan Tock Han in the Scheme is in the best interest of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 12 relating to the proposed participation by Tan Tock Han in the Scheme.

5. ABSTENTION FROM VOTING

5.1 **Proposed renewal of the Scheme**

Subject to Shareholders' approval to be sought at the AGM, the Directors are eligible to participate in and are therefore interested in the Scheme. The Directors and their associates who are Shareholders, shall abstain from voting in respect of Resolution 10 relating to the renewal of the Scheme. The Company will also procure that the Directors and their associates will decline to accept appointment as proxies for Shareholders to vote on Resolution 10 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 10.

All employees of the Group and any other Shareholders who are eligible to participate in the Scheme shall also abstain from voting at the AGM on Resolution 10. The Company will also procure that the employees of the Group and any other Shareholders who are eligible to participate in the Scheme will decline to accept appointment as proxies for Shareholders to vote on Resolution 10 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 10.

Save as disclosed above, none of the Directors or substantial Shareholder of the Company has any interest, direct or indirect, in the Scheme.

5.2 **Proposed participation by Tan Kheng Kuan in the Scheme**

Tan Kheng Kuan, being interested in respect of his participation in the Scheme, shall abstain, and procure his associates to abstain, from voting in respect of Resolution 11 relating to the proposed participation by him in the Scheme. The Company will also procure that Tan Kheng Kuan and his associates will decline to accept appointment as proxies for Shareholders to vote on Resolution 11 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 11.

All employees of the Group and any other Shareholders who are eligible to participate in the Scheme shall abstain from voting at the AGM on Resolution 11. The Company will also procure that the employees of the Group and any other Shareholders who are eligible to participate in the Scheme will decline to accept appointment as proxies for Shareholders to vote on Resolution 11 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 11.

5.3 **Proposed participation by Tan Tock Han in the Scheme**

Tan Tock Han, being interested in respect of his participation in the Scheme, shall abstain, and procure his associates to abstain, from voting in respect of Resolution 12 relating to the proposed participation by him in the Scheme. The Company will also procure that Tan Tock Han and his associates will decline to accept appointment as proxies for Shareholders to vote on Resolution 12 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 12.

All employees of the Group and any other Shareholders who are eligible to participate in the Scheme shall abstain from voting at the AGM on Resolution 12. The Company will also procure that the employees of the Group and any other Shareholders who are eligible to participate in the Scheme will decline to accept appointment as proxies for Shareholders to vote on Resolution 12 unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 12.

5.4 **Disclosure pursuant to Listing Rule 704(16)(b)**

Pursuant to Listing Rule 704(16)(b), the Company shall, in the results of AGM announcement, indicate the names of the directors, controlling shareholder and the associates of such persons who are required to abstain from voting on the resolutions pursuant to Listing Rule 859, the individual resolutions which they are required to abstain from voting and the number of shares held by each of them.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the renewal of the Share Purchase Mandate and the renewal of the Scheme, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

7. DISCLAIMER

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 7 Gul Road, Singapore 629364 during normal business hours from the date of this Letter up to the date of the 2018 AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2018;

(b) the Constitution of the Company; and

(c) the Rules of the Scheme.

Yours faithfully

For and on behalf of the Board of Directors of
KTL GLOBAL LIMITED

Tan Kheng Kuan
Chief Executive Officer

ANNEX A

ANNEX A – RULES OF THE KTL PERFORMANCE SHARE SCHEME

1. Name of the Scheme

The Scheme shall be called the "KTL Performance Share Scheme".

2. Definitions

2.1 In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Auditors"	:	The auditors for the time being of the Company
"Award"	:	An award of Shares granted under the Scheme
"Board"	:	The board of Directors of the Company for the time being
"CDP"	:	The Central Depository (Pte) Limited
"Commencement Date"	:	The date for the commencement of the Scheme
"Committee"	:	A committee comprising Directors duly authorised and appointed by the Board to administer the Scheme
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore
"Company"	:	KTL Global Limited
"Controlling Shareholder"	:	A Shareholder who, in relation to the Company, has control, as further defined in Rule 2.2
"Director"	:	A director of the Company for the time being
"Group"	:	The Company and its subsidiaries
"Group Employee"	:	Any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the Scheme in accordance with the provisions thereof
"Group Executive Director"	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function
"KTL Performance Share Scheme" or "Scheme"	:	The KTL Performance Share Scheme, as modified or supplemented from time to time
"Listing Manual"	:	The listing manual of the SGX-ST
"Market Day"	:	A day on which the SGX-ST is open for trading in securities

"New Shares"	:	The new Shares which may be issued from time to time pursuant to the vesting of Awards granted under the Scheme
"Non-Executive Director"	:	A director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director
"Participant"	:	A person who is selected by the Committee to participate in the Scheme in accordance with the provisions of the Scheme
"Performance Targets"	:	The performance targets prescribed by the Committee to be fulfilled by a Participant for any particular period under the Scheme
"Renewal Date"	:	The date on which the Scheme is renewed by the Company in general meeting
"Rules"	:	The rules of the Scheme, as the same may be amended or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
"Shares"	:	Ordinary shares in the capital of the Company
"treasury shares"	:	Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which 76H of the Companies Act applies and have since purchase been continuously held by the Company
"$" and "cents"	:	Singapore dollars and cents respectively
"%" or "percent"	:	Percentage or per centum

2.2 For the purposes of the Scheme:

(a) in relation to a Shareholder (including, where the context requires, the Company), "control" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;

(b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15% or more of the Company's total number of issued shares excluding treasury shares and subsidiary holdings shall be presumed to be a Controlling Shareholder; and

(c) in relation to a Controlling Shareholder, his "associate" shall have the meaning ascribed to it by the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST (as modified, supplemented or amended from time to time).

2.3 The terms "Depositor" and "Depository Agent" shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore.

2.4 Any reference in the Scheme or the Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Scheme and the Rules shall have the meaning assigned to it under the Companies Act.

2.5 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.

2.6 Any reference to a time of day shall be a reference to Singapore time.

3. Objectives

The purpose of the Scheme is to provide an opportunity for Group Employees and Group Executive Directors who have met the Performance Targets to be enumerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Company (pursuant to which the Company decides to award Shares in addition to any cash bonus payment due to the Group Employees) as well as for Group Employees to receive part of their annual cash bonus payment in the form of Shares. The Scheme is also extended to Non-Executive Directors.

The Company believes that the retention of outstanding employees within the Group is paramount to the Group's long-term objectives of pursuing continuous growth and expansion in its future business and operations. Furthermore, the Group acknowledges that the importance of preserving financial resources for future business development and to withstand difficult times. In the light of this, the Group's strategy is to contain the remuneration of its employees and executives which constitutes a major component of the Group's operating costs.

The Scheme is formulated with those objectives in mind. Through the Scheme, the Company hopes to be able to remain an attractive and competitive employer, and to be better able to manage its fixed overhead costs without compromising on performance standards and efficiency.

4. Eligibility

4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time and have attained the age of 21 years on or before the date of grant of the Award) shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

(a) Group Employees (including Group Executive Directors);

(b) Non-Executive Directors (including Independent Directors); and

(c) subject to Rule 4.2, Controlling Shareholder and their associates.

4.2 Controlling Shareholder and their associates who are also Group Employees shall be eligible to participate in the Scheme. However, the aggregate number of Shares available to Controlling Shareholder and their associates must not exceed 25% of the Shares available under the Scheme. The number of Shares available to each Controlling Shareholder or his associate must also not exceed 10% of the Shares available under the Scheme. Participation in the Scheme by Controlling Shareholder and their associates must be approved by independent shareholders of the Company and a separate resolution must be passed for each such person and to approve the actual number and terms of Awards to be granted to such person.

4.3 For the purposes of determining eligibility to participate in the Scheme, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.4 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.

4.5 Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

5. Limitations under the Scheme

5.1 The Company may deliver Shares pursuant to the Awards granted under the Scheme in the form of existing Shares held as treasury shares and/or an issue of New Shares. In determining whether to issue New Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, the Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or purchasing existing Shares.

5.2 Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon (i) the Committee being satisfied that the Participant has achieved the Performance Targets and/or due recognition should be given for good work performance and/or significant contribution to the Company and the Company decides to award Shares in addition to any cash bonus payment due to the Group Employees and/or (ii) the Company decides to pay part of a Group Employee's annual cash bonus payment in the form of Shares.

5.3 The aggregate number of Shares over which the Committee may grant Awards on any date, when added to the number of Shares issued and issuable in respect of all Awards granted under the Scheme and all other Shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued Shares of the Company (excluding treasury shares and any subsidiary holdings that may be held by the Company from time to time) on the day preceding that date.

6. Date of Grant

The Committee may grant Awards at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

7. Awards

7.1 Awards are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

7.2 Once an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, *inter alia*, the following:

(a) in relation to a performance-related Award, the Performance Target(s) for the Participant and the period during which the Performance Target(s) shall be met;

(b) the number of Shares to be vested on the Participant; and

(c) the date on which the Award shall be vested.

7.3 The Committee shall take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of the Company and the predetermined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Scheme will comply with the relevant rules of the SGX-ST.

7.4 The Committee has the right to amend the Performance Target(s) if the Committee decides that it would be a fairer measure of the performance of a Participant or for the Scheme as a whole. The Committee shall have the sole discretion to determine whether Performance Target(s) have been met (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to the Company and/or any of its subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to take into account such factors as the Committee may in its sole discretion determine to be relevant, and further, the right to amend the service conditions and/or Performance Target(s), if any, if the Committee decides that it would be more equitable to do so.

8. Vesting of the Awards

8.1 Notwithstanding that a Participant may have met his Performance Targets, no Awards shall be vested:

(a) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;

(b) in the event the Participant, being a Non-Executive Director, cease to be a director of the Company or the relevant subsidiary of the Company for any reason whatsoever;

(c) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion; or

(d) in the event that the Committee shall, at its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the Scheme (as set out in Rule 3) have not been met.

For the purpose of Rule 8.1(b) above, a Participant shall be deemed to have ceased to be a Director as of the date of notice of or termination of directorship, as the case may be, is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

8.2 A Participant shall be entitled to an Award so long as he has met the Performance Targets notwithstanding that he may have ceased to be employed by the Group after the fulfilment of such Performance Targets. For the purpose of this Rule 8.2, the Participant may cease to be so employed in any of the following events, namely:

(a) through ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);

(b) redundancy;

(c) retirement at or after the legal retirement age;

(d) retirement before the legal retirement age with the consent of the Committee; or

(e) any other reason approved by the Committee.

9. Take-over and winding up of the Company

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall (notwithstanding that the vesting period for the Award has not expired) be entitled to the Shares under the Awards if he has met the Performance Targets which fall within the period commencing on the date on which such offer for a take-over of the Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of 6 months thereafter, unless prior to the expiry of such 6-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date on which the Performance Targets are to be met); or

(b) the date of expiry of the period for which the Performance Targets are to be met, provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Participant shall be obliged to meet such Performance Targets until the expiry of such specified date or the expiry date of the Performance Targets relating thereto, whichever is earlier, before an Award can be vested.

9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, notwithstanding the provisions herein and the fact that the vesting period for such Award has not expired but subject to Rule 9.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

9.3 If an order or an effective resolution is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that they may have been so vested shall be deemed or become null and void.

9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Awards shall so vest in the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

10. Shares

10.1 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Scheme and the Constitution of the Company, the Company shall within 10 Market Days after the vesting of an Award, allot and issue the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit, or in the case of a transfer of treasury shares, do such acts or things as may be necessary for the transfer to be effective.

10.2 New Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account maintained with a Depository Agent.

10.3 Shares delivered upon the vesting of an Award shall be subject to all the provisions of the Constitution of the Company, and shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the date of issue of New Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

10.4 Shares which are allotted, and/or treasury shares which are transferred, on the vesting of an Award to a Participant, may be subject to such moratorium as may be imposed by the Committee.

10.5 Notwithstanding any other rule of this Scheme to the contrary, and notwithstanding references to subscription, issue and allotment of Shares or new Shares, the Company reserves the right to deliver treasury shares in lieu of new Shares to Participants upon the vesting of their Awards.

11. Variation of Capital

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, distribution or otherwise) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or

(b) the class and/or number of Shares over which future Awards may be granted under the Scheme,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

11.2 Unless the Committee considers an adjustment to be appropriate:

(a) the issue of securities as consideration for an acquisition or a private placement of securities; or

(b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders of the Company (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.

11.3 Notwithstanding the provisions of Rule 11.1:

(a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and

(b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Any increase in the issued share capital of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company will also not be regarded as a circumstance requiring adjustment.

11.5 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

12. Administration of the Scheme

12.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted to or held by that member of the Committee or by his associate.

12.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit including, but not limited to:

(a) imposing restrictions on the number of Awards that may be vested within each financial year;

(b) amending Performance Targets if by so doing, it would be a fairer measure of performance for a Participant or for the Scheme as a whole.

12.3 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the number of Shares to be vested) or to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme.

13. Notices and Annual Report

13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

ANNEX A

13.3 The Company shall disclose the following in its annual report:

(a) the names of the members of the Committee administering the Scheme;

(b) the information required in the table below for the following participants:

(i) Directors of the Company;

(ii) Controlling Shareholder and their Associates; and

(iii) Participants other than those in (i) and (ii) above, who received Shares pursuant to the vesting of the Awards granted under the Scheme which, in aggregate, represent 5% or more of the aggregate of the total number of Shares available under the Scheme;

Name of Participant	Number of Shares comprised in Awards during financial year under review (including terms)	Aggregate number of Shares comprised in Awards from commencement of Scheme to end of financial year under review	Number of Shares comprised in Awards which have been issued and/or transferred since commencement of Scheme to end of financial year under review	Number of Shares comprised in Awards not vested as at end of financial year under review

(c) such other information as may be required by the Listing Manual or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included.

14. Modifications to the Scheme

14.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

(a) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of Shareholders in a general meeting;

(b) the modification or alteration must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and

(c) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

14.2 The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the rules or provisions of the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. Terms of employment unaffected

The terms of employment of a Participant (who is a Group Employee) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. Duration of the Scheme

16.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Renewal Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Awards shall be vested by the Company thereunder.

16.3 The termination of the Scheme shall not affect Awards which have been vested, whether such Shares have been delivered or not.

17. Taxes

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the Scheme shall be borne by that Participant.

18. Costs and expenses

18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards shall be borne by the Company.

19. Disclaimer of liability

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing or transferring the Shares or applying for or procuring the listing of the Shares on the SGX-ST.

20. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. Condition of Awards

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the vesting of any Award if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

22. Governing Law

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Scheme, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

KTL GLOBAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200704519M)

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore not valid for use by such CPF investors, and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____ (Name)

of ____ (Address)
being a member/members of KTL GLOBAL LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person or both of the persons above, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at Acacia Level 1, The Arena Country Club on 511 Upper Jurong Road, Singapore 638366 on Friday, 28 June 2019 at 2.00 pm and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Audited accounts for the 18-month financial period ended 31 December 2018		
2.	Re-election of Mr Lim Yeow Hua @ Lim You Qin as a Director		
3.	Re-election of Mr Tan Kheng Kuan as a Director		
4.	Re-election of Mr Liu Changsheng as a Director		
5.	Payment of Directors' fees of S$260,727 for the 18-month financial period ended 31 December 2018		
6.	Payment of Directors' fees of S$186,000 for the financial year ending 31 December 2019		
7.	Re-appointment of Crowe Horwath First Trust LLP as Auditors		
	Special Business		
8.	General authority to allot and issue new shares		
9.	Share purchase mandate		
10.	Proposed Renewal of the KTL Performance Share Scheme		
11.	Proposed Participation by Tan Kheng Kuan in the KTL Performance Share Scheme		
12.	Proposed Participation by Tan Tock Han in the KTL Performance Share Scheme		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolution as set out in the Notice of the Meeting.)

Dated this ________ day of ________________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

1. Unless otherwise permitted under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form.

3. A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

5. This proxy form duly executed must be deposited at the registered office of the Company at 7 Gul Road, Singapore 629364 not less than 48 hours before the time set for the AGM.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

9. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 June 2019.

KTL GLOBAL LIMITED
7 Gul Road Singapore 629364
Tel: (65) 6543 8888
Fax: (65) 6545 2323