Issuer: KTL Global Limited
Security: KTL Global Limited

Meeting details:
Date: 23 October 2017
Time: 10.00 a.m.
Venue: 71 Tuas Bay Drive, Singapore 637430

Company Description

KTL Global Limited, an investment holding company, engages in the trading of rigging equipment and related services in Singapore, the United Arab Emirates, Indonesia, Malaysia, Rest of Asia, and internationally. The company operates through three segments: Offshore Oil and Gas, Marine, and Others. It offers heavy lift slings and grommets, high performance compacted wire ropes, standard wire ropes, blocks, swivels and sheaves, shackles, ROV shackles and hooks, synthetic slings and ropes, links and hooks, towing equipment, chasers and grapnels, spreader beam product ranges, drill lines, KimLoft rigging lofts, rigging accessories, hooks, and fittings. The company also engages in the inspection and certification of offshore rigging equipment; and certification of wire ropes, as well as in property investment business. In addition, it provides testing, inspection, spooling, rental, training, and wire rope lubrication services. KTL Global Limited serves customers in the oil and gas, marine, offshore construction, and engineering industries. The company was incorporated in 2007 and is headquartered in Singapore. KTL Global Limited is a subsidiary of Kim Teck Leong Pte Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=EB7)

© 2013 SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Q1. The group has reported losses attributable to equity holders of the company of $(14.2) million in 2016 and $(29.6) million in 2017 amidst the weak offshore oil & gas market conditions. As a result, equity attributable to the owners of the company stands at $71,000 as at 30 June 2017.

The independent auditors have flagged a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, stating that "the group incurred a net loss of $29,634,000 during the year ended 30 June 2017 and, as of that date, the group's current liabilities exceeded its current assets by $13,093,000".

Further to the company's reply to the Exchange on the same matter (dated 2 October 2017) in which the board stated its reasons that it is of the opinion that the group can continue as a going concern, shareholders would like to ask the following:

a) **Order book: Following the completion of "a few significant heavy lift synthetic slings projects in FY2017", shareholders would like to ask for some visibility into the order book of the group.**

b) **Working capital: How much working capital is required for the group's upstream synthetic manufacturing capability? How is the group going to fund this?**

c) **Financial position: Further to the sale of assets and cost cutting initiatives mentioned, has the board considered raising new equity to improve the group's financial position?**

Q2. In Note 32 (page 99 – Financial instruments), it was stated that:

> *"The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 June2017 and 30 June 2016."*

In Note 18 (page 78 – Interest-bearing loans and borrowings), the company has stated the following:

- Loan 1 (secured): As at 30 June 2017, the entire loan is classified as current liabilities due to technical breach of loan covenants.
- Loan 2 (secured): As at 30 June 2017 and 2016, the entire Loan 2 is classified as current liabilities due to technical breach of loan covenants.
- Loan 4 (secured): As at 30 June 2017, the entire loan is classified as current liabilities due to technical breach of loan covenants.
- Loan 6 (secured): The entire loan is classified as current liabilities due to technical breach of loan covenants as at 30 June 2017.

a) **Can management explain why it has stated that the group "is in compliance with all externally imposed capital requirements for the financial years ended 30 June 2017 and 30 June 2016" (page 99) when there are technical breaches of loan covenants for Loans 1, 2, 4 and 6?**

b) **Can management update shareholders on when it expects to obtain the waivers from the banks for the technical breach of the financial covenants for some of its loan facilities?**

In November 2016, SPRING Singapore announced a Bridging Loan scheme to provide one-off financial support for companies in the Marine & Offshore Engineering (M&OE) sector. The Bridging Loan provides access to working capital to help Singapore-based M&OE companies finance their operations and bridge short-term cash flow gaps.

© 2013 SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

c) **Has management evaluated if the group can tap into the Bridging Loan scheme offered by SPRING Singapore?** Companies can borrow up to S$5 million each, and up to S$15 million per borrower group if they meet the criteria of the scheme.

Q3. Guideline 2.2 of the 2012 Code of Corporate Governance (CG Code) states that:

2.2 The independent directors should make up at least half of the Board where:

(a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;
(b) the Chairman and the CEO are immediate family members;
(c) the Chairman is part of the management team; or
(d) the Chairman is not an independent director.

As Mr Tan Tock Han is the executive Chairman of the company, independent directors should make up at least half of the board for the company to comply with Guideline 2.2. In the Corporate Governance Report (page 15), the company has stated the following:

The Executive Chairman, Mr Tan Tock Han, and the Chief Executive Officer, Mr Wilson Tan, are immediate family members as well as part of the Management. However, the Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business. There is no individual or small group of individuals who dominate the Board's decision-making. The Board is therefore of the opinion that it is not necessary nor cost-effective to have independent directors make up at least half of the Board.

Principle 2 of the Code calls for "*a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders*".

While the company may not have any individual or small group of individuals dominating the board's decision-making, the current board composition may fall short, or be perceived to fall short, on the "strong and independence element" as defined by Principle 2 of the CG Code.

a) **Would the board and the nominating committee elaborate further and justify on why it has decided not to enhance the independent element on the board by meeting the requirements of Guideline 2.2 of the CG Code?**

b) **If cost is the issue, has the nominating committee explored other options such as right-sizing the board (with independent directors)?**

© 2013 SECURITIES INVESTORS ASSOCIATION (SINGAPORE)