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Issuer: KLW Holdings Limited

Security: KLW Holdings Limited

Meeting details:

Date: 27 July 2018

Time: 10.00 a.m.

Venue: RELC International Hotel, Tanglin 1, Level 1, 30 Orange Grove Road, Singapore 258352

Company Description

KLW Holdings Limited, an investment holding company, engages in the manufacture and distribution of doors; and property investment and development activities. The company operates in three segments: Investment, Door Business, and Property Business. It is involved in the manufacture and distribution of doors, furniture and fittings, and wood related products; manufacture and processing of various artificial, thin veneer, and flooring boards; supply and installation of doors, mouldings, and wood based floorings; and trading of doors, mouldings, floorings, and related products. The company also imports and distributes doors, locksets ironmongeries, furniture and fittings, and wood related products; and engages in the rental of premises, as well as invests in and develops properties. It supplies a range of doors to home improvement DIY chain-stores, door distributors, and development projects in Europe, Asia, the Middle East, and the United States. KLW Holdings Limited was incorporated in 1995 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=504)

1. As noted in the Chairman's Statement, the cyclical nature of the group's Doors business was the reason for the 25% drop in revenue for the segment. The group has not been able to bag any meaningful new contracts since the last financial year as the Singapore residential development market has slowed down.

While it was mentioned that the local residential development market has slowed down, the recent flurry of en-bloc sales has prompted a new set of cooling measures for the property market.

- (i) Can management help shareholders understand if it has evaluated the opportunities in the market? What are management's plans to secure new contracts from the upcoming property launches?**
- (ii) With the acquisition of the remaining 30% share capital of KLV Resources Sdn. Bhd. ("KLV Resources") from Koperasi Permodalan Felda Malaysia Berhad ("Felda"), what changes will be made to KLV Resources?**
- (iii) In addition, in Note 17 (page 90 – Inventories), inventories write-down of \$819,731 (2017: \$177,669) was recognised as an expense in "cost of sales". Can management elaborate further on the significant increase in inventories written-down in FY2018? What changes have been made to the group's systems and processes to reduce inventory obsolescence?**

2. For the group's foray into the property business, the group has two on-going projects in Melbourne and South Jakarta. Would the board/management provide shareholders with better clarity on the following:

- (i) Lincoln Square: When does the group expect to be informed of the outcome following the submission of the complete package of the feasibility studies to the Melbourne City Council? Can management help shareholders understand the entire process to obtain the necessary permits and licenses? When is the soonest that all the permits can be obtained? What are the expected costs to be incurred?**
- (ii) South Jakarta: Similarly, can management map out the major milestones for the development in South Jakarta? What is the total capital investment for the project?**
- (iii) Property development: As the group scales up its property development business, can management help shareholders understand its experience and track record in property development? What is the level of due diligence carried out prior to investments being made, especially as the group enters a new city/country?**

3. On 6 July 2018, the company announced that there were discrepancies between the audited financial statements and the unaudited financial statements for the financial year ended 31 March 2018.

Reasons given included:

- Reclassification of "Land held for development" to "development properties" under "Current assets" for a better presentation to reflect the intention of the land acquired for property development activities
- Reclassification from "Prepayments, trade and other receivables" under "Current assets" to "Subsidiaries" as part of the loan has been treated as a net investment in the subsidiary and thus included as "Non-current assets"
- Reclassification from "Loan from non-controlling interest" to "cash flows from financing activities" as it is considered to be under financing activities during finalisation of audit
- Reclassification from "Repayment of borrowings" to "Proceeds from borrowings" in order to present the total as a gross amount

On 6 July 2017 and on 13 July 2016, the company announced that there were material differences between the audited financial statements and the unaudited financial statements for the financial year ended 31 March 2017 and 31 March 2016 respectively as well.

- (i) As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSS?**
- (ii) Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?**