



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: KTL Global Limited

Security: KTL Global Limited

Meeting details:

Date: 28 Jun 2019

Time: 2.00 p.m.

Venue: Acacia Level 1, The Arena Country Club on 511 Upper Jurong Road, Singapore 638366

Company Description

KTL Global Limited is an investment holding company. The Company operates through three segments: offshore oil and gas, marine and others. The offshore oil and gas segment relates to sales of goods and services to customers in the oil and gas industry. The marine segment relates to sales of goods and services to customers in the marine industry. The others business segment relates to sales to customers in other industry sectors, mainly in the offshore construction and engineering industries. The Company also provides testing, certification and maintenance services to the oil and gas market. The Company, through its subsidiaries, offers various products, including high performance compacted wire rope; standard wire rope; heavy lift slings and grommets; blocks, swivels and sheaves; shackles; rov shackles and hooks; synthetic slings and synthetic ropes; links and hooks, towing equipment, chasers and grapnels; drill lines; kimloft rigging loft, and rigging accessories, hooks and fittings.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=EB7)

Q1. On 29 May 2019, the company announced that its auditor had included in the Independent Auditor's Report a material uncertainty related to going concern and an emphasis of matter in the audited financial statements of the group for the financial period from 1 July 2017 to 31 December 2018.

The auditors have stated the following:

- A net loss of \$19,606,000 for the current financial period
- 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
- 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

As stated in Note 2 (page 44 and 45), management had prepared the financial statements on a going concern basis based on factors that included:

- Loan extension by the banks (May 2019)
- Deferment of principal repayment (March 2019)
- Issuance of zero coupon convertible bonds (March 2019)
- Undertaking to provide continuing financial support by the controlling shareholders

(i) Would the board provide better clarity on the undertaking of financial support given by the controlling shareholders, Tan Tock Han and Tan Kheng Kuan? Have the controlling shareholders committed to making new funds available to the group?

(ii) In particular, would the board help shareholders understand the proactive efforts taken by the board and by management to (a) improve the cash flow generation and (b) improve the operations of the group?

(iii) Please share its cash flow projections to help shareholders understand the liquidity risks faced by the group.

(iv) Would the board consider it opportune to carry out a comprehensive strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?

(v) In addition, given the current financial position of the group, can management help shareholders understand how it would be able to fund the new joint venture, Bluegas Private Limited, which began the trading of natural gas and related equipment and products?

Q2. The group has experienced high level of board personnel changes in the year.

Changes on the board included:

- Mr Tan Tock Han resigning as executive chairman and director of the company on 28 December 2018
- Mr Tan Kheng Yeow resigning as chief executive officer and director of the company on 2 November 2017
- Mr Mark Beretta resigning as chief operating officer and executive director of the company on 28 December 2018
- Mdm Cheong Hooi Kheng resigning as a non-executive director of the company on 10 December 2018
- Ms Zhao Chengcheng being appointed as an independent director on 10 December 2018 and her subsequent resignation on 10 December 2018

- (i) Does the current board, as a group, possess 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?**
- (ii) Is there sufficient stability on the board to ensure that the board is effective in finetuning the group's overall long-term strategic objectives and overseeing the execution of its corporate strategy?**
- (iii) With the independent director, Mr Sunny Wong, not seeking his re-election at the annual general meeting, the board will consist of two executive directors and an independent chairman. What are the near-term efforts by the company to reconstitute the board to meet the recommendations of the Code of Corporate Governance?**

Q3. On 12 June 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 27 February 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The material adjustments included:

- Reclassification to conform with FRS 1: Presentation of Financial Statements to better reflect the nature of transactions
- Additional allowance for slowing moving and obsolete inventories and impairment on plant and equipment
- Recomputation of translation differences
- Reclassification between investment in joint ventures and amount due from associate and joint venture companies
- Reclassification of long term bank loan from non-current liabilities to current liabilities due to technical breach of financial covenants

- Reclassifications of items in the consolidated statement of cash flows to conform with the requirements under FRS 7 Statement of Cash Flows

After the finalisation of audit, loss for the period increased by \$(1.5) million to \$(19.6) million and the variance/reclassification was as large as \$4.6 million.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (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) Is the company (and its officers) familiar with Singapore Financial Reporting Standards (International)?**
- (iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) What was the level of involvement by the AC in the preparation of the financial statements?**
- (vi) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=KTL%20Global%20Ltd&cid=6820,4420>

The company's response could be found here: -----