

KTMG LIMITED

Company Registration No.: 197401961C
(Incorporated in the Republic of Singapore)

Responses to SIAS' Questions

KTMG Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) has received questions from the Securities Investors Association (Singapore) in relation to its annual report (“**FY2020 Annual Report**”) for the financial year ended 31 December 2020 (“**FY2020**”) released on 14 April 2021 and has provided responses to the said questions.

Question 1

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Revenue: As seen in Note 22 (page 89 – Operating segments), revenue from United States and United Kingdom (UK) dropped by 20% and 45% respectively. Can management elaborate further on the reasons for the 45% drop in revenue from UK? Conversely, what was the reasons for the increase in revenue from the European Union?**

Revenue from United States and UK declined by 20% and 45% year-on-year in FY2020 respectively as our customers in United States and UK, particularly those who are operating brick-and-mortar stores, were affected by the lockdowns imposed by the respective governments to contain the spread of COVID-19.

Revenue from the European Union increased by 11.1% year-on-year in FY2020 as some of our customers in the European Union were able to cushion the impact of COVID-19 by boosting their revenue through online sales.

- (ii) **Personal Protective Equipment (PPE): Revenue of \$3.4 million was recognised from customers in Malaysia. Is the PPE contract from the Malaysian Ministry of Health on a cost-recovery basis (to help in the country’s COVID-19 efforts) or is it secured on a for-profit commercial basis?**

All contracts secured from the Malaysian Ministry of Health to produce medical isolation gowns for the country’s frontline healthcare personnel are on a cost-recovery and temporary basis.

- (iii) **Textile production facility: Given the success of the textile production facility in Malaysia, are there plans to set up one in Cambodia? What is the estimated cost to set up a new textile production facility?**

Presently, the Group does not have any plans to set up a textile production facility in Cambodia. As mentioned in the Chairman Message of the FY2020 Annual Report, the Group intends to continue progressively upgrading the textile manufacturing facility in Malaysia to increase its overall production capacity.

- (iv) **XCF: Is management satisfied with its achievements in its downstream expansion so far? The Group launched “XCF” in 2020, its first online-only direct-to-consumer brand.**

KTMG has successfully launched XCF, its first on-line only direct to consumer brand, with the flagship product – the Max Filtration Face Mask in the fourth quarter of 2020. In the year ahead, the Group intends to continue building up the XCF brand and expanding the product range to include active and lifestyle wear.

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Question 2

On 5 April 2021, the Company announced that 63 out of 429 production workers at the manufacturing factory in Batu Pahat were tested positive for COVID-19 following a company-wide test. The apparel manufacturing factory was shut for 10 days on the advice of the Ministry of Health of Malaysia.

The factory has reopened and resumed its operations on 12 April 2021 with all the workers allowed to return to the factory.

- (i) **What support has the group/management given to the workers during this challenging time, especially for those who were tested positive?**

For workers who were tested positive, in addition to providing food and daily necessities, the Group has provided the workers with off-site accommodation for them to serve the required period of quarantine and isolation. Medical officers were also deployed by the Ministry of Health of Malaysia (Kementerian Kesihatan Malaysia (“KKM”)) to conduct daily temperature checks for those who tested positive for COVID-19.

The health and safety of our employees remains the Group's top priority. The Group adheres to the COVID-19 Guidelines and Standard Operating Procedures (“SOP”) recommended by KKM and has implemented safety precautions across our operations, such as the mandated wearing of face masks, safe distancing measures, thorough cleaning and disinfection of factory premises and hostel areas, as well as checking in daily with workers on their health conditions. The Group has also stepped up its efforts to ensure workers keep within the premise of the factory and their dormitories.

- (ii) **What is the board/senior management doing to ensure that everybody in the organisation adheres to the COVID-19 guidelines and Standard Operating Procedures on a stringent basis?**

To ensure employees observe the COVID-19 Guidelines and SOP as recommended by KKM, the senior management regularly conducts briefings to all employees on the importance of adhering to the COVID-19 Guidelines, as well as providing training on the SOP to minimise the risks of spreading the infection.

Additionally, the Group has also set up a COVID-19 task force as a designated channel for all employees to address their concerns on the COVID-19 Guidelines and SOP.

- (iii) **Is there a need to further review the safe management measures at the group's factories?**

Moving forward, the Group will continue to vigilantly observe the COVID-19 situation as it evolves and adhere to the COVID-19 Guidelines and Standard Operating Procedures as recommended by KKM on a stringent basis.

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- (iv) **In addition, Cambodia has seen a recent spike in the number of COVID-19 cases since 2021 and the government has issued a lockdown order of the nation capital city Phnom Penh as well as Kandal Province for a period of 14 days starting from 15 April 2021 to 28 April 2021 to curb the spread of the COVID-19 virus. Please update shareholders on the situation in the Group's two plants in Phnom Penh, including the safety measures taken to keep its employees safe.**

The Group had temporarily suspended operations of both its apparel manufacturing facilities in Phnom Penh from 15 April 2021 to 28 April 2021, following the implementation of the Cambodian Government's lockdown measures to curb the spread of COVID-19.

On 26 April 2021, the Royal Government of Cambodia introduced a three-zone system according to the severity of the infection in capital city Phnom Penh; the yellow zone, orange zone and red zone, with yellow zone being an area with low risk of COVID-19 infection. Businesses that operate in the yellow zone will be allowed to resume operations from 29 April 2021. As both of the Group's apparel manufacturing facilities are located in the yellow zone, operations at the facilities have resumed on 29 April 2021 with 70% of workforce. The Group is expecting that both of its facilities will be operating with up to 90% of workforce next week. Employees who are living outside the yellow zone are not allowed to commute into the yellow zone for work as directed by the Royal Government of Cambodia. Notwithstanding the aforementioned, the Company does not expect the fulfilment of contracts and orders from customers to be materially affected.

The health and safety of our employees remains the Group's top priority. The Group adheres to the COVID-19 Guidelines and SOP as recommended by the Royal Government of Cambodia and has implemented safety precautions across our operations, such as the mandated wearing of face masks, safe distancing measures, as well as checking in daily with workers on their health conditions. Additionally, the Group has also set up a COVID-19 task force as a designated channel for employees in Cambodia to address their concerns on the COVID-19 Guidelines and SOP.

Question 3

From the statements of financial position (page 50), the Group has trade and other receivables amounting to \$22.3 million. In addition, as shown in Note 8 (page 79 – Trade and other receivables), gross trade receivables increased from \$14.6 million to \$21.5 million.

- (i) **What are the reasons for the significant increase in trade receivables? Revenue declined 19% in FY2020 but trade receivables as at 31 December 2020 increased by nearly 50%.**

Trade receivables increased by 47.6% from S\$14.6 million as at 31 December 2019 to S\$21.5 million as at 31 December 2020 mainly due to the timing of receipts in the month of December 2020.

- (ii) **Has the Group experienced slower collections of its receivables? The aging profile of the trade receivables past due but not impaired is shown on page 91 of the Annual Report. There is a significant increase in the amounts past due of up to 2 months (\$6.84 million vs \$2.78 million)**

The outstanding exposure on trade receivables as at 31 December 2020 are within credit terms extended by the Group to its customers. The majority of the Group's trade receivables are not exposed to credit risk.

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- (iii) **Further on page 90, it was stated that the Group has concentration of credit risk with 3 customers (2019 – 3 customers) accounting for approximately 87% (2019 – 87%) of the total trade receivables as at reporting date. Can management confirm that the credit risk concentration has not changed even though the business has been so fluid in the past year? What are the profiles of the top 3 major customers?**

The management confirms that the credit risk concentration has not changed during the year. The management has put in place a credit risk management framework across the Group of companies to respond to changing market conditions.

The Group's receivable balances are monitored closely on an ongoing basis to ensure the exposure to bad debts is not significant. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluations.

We are unable to share the profiles of the top 3 major customers as they are confidential and commercially sensitive information.

By Order of the Board of Directors

KTMG LIMITED

Lim Vhe Kai

Executive Director and Chief Executive Officer

29 April 2021

This announcement has been reviewed by the Company's continuing sponsor (the "Sponsor"), SAC Capital Private Limited.

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms. Charmian Lim (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542