Securities Investors Association (Singapore)
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Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: KTMG Limited

Stock code: XCF

Meeting details:
Date: 25 Jun 2024
Time: 10.00 a.m.
Venue: ACC EduHub 51 Cuppage Road, #03-03, Princeton Room, Singapore 229469

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Q1. For the financial year ended 31 December 2023, the group recognised revenue of $88.7 million, a 16.5% decline from $106.3 million in the previous financial year. Based on Note 21 (Operating segments; page 99), the significant declines were from customers in the United Kingdom ($44.1 million to $30.6 million) and Canada ($11.0 million to $3.6 million).

The group recorded a net loss attributable to shareholders of $(2.0) million in FY2023. Gross profit margin was 6.1 percentage points lower at 9.1% compared to 15.2% in FY2022.

(i) **Were there any customer-specific reasons for the decrease in revenue from customers in the United Kingdom and Canada?**

(ii) **Can management elaborate on the potential in the athleisure market? What is the profile of the new international athleisure customer? What are the main learning points for the group in this new market following significant one-off costs incurred to fulfil the initial order?**

(iii) **Can management provide details on the potential tie-up with apparel manufacturers in Vietnam? Does this indicate a shift in the group's business model from manufacturing to outsourcing?**

The group has expanded downstream through Pocketbrands Sdn. Bhd. into the retail of women's apparel under its own brands.

(iv) **Has the board approved this new business venture? What is the total amount allocated to support this new initiative, and will the expansion require substantial investment into inventory and working capital? How is this different from XCF which the group launched in 2020 as its first direct-to-consumer brand? Does the group possess the necessary in-house marketing expertise to successfully launch a new brand?**

(v) **Can the board provide greater clarity on the risks associated with outsourcing manufacturing in Vietnam and retail of women's apparel in Malaysia? Has the group's risk profile changed due to these new ventures, and how will these risks be managed?**

In addition, it was disclosed that three customers contributed $66.6 million or 75% of the total revenue (FY2022: $55.7 million out of $106.3 million or 52%) and accounted for 75% (FY2022: 74%) of the total trade receivables (page 100).

(vi) **Can management clarify if the new athleisure customer in the US is a major customer contributing more than 5%/10% of the group's total revenue?**

(vii) **Has the board evaluated the risks associated with customer concentration?**

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Q2. The "Recoverability of trade receivables" is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group's trade receivables as at 31 December 2023 amounted to $17 million, representing 30% of the group's total assets.

8 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables	17,275	13,526	–	–
Allowance for impairment loss	(222)	(364)	–	–
Net trade receivables	17,053	13,162	–	–
Other receivables	62	41	269	286
Deposits	890	885	–	1
Financial assets at amortised cost	18,005	14,088	269	287
Prepayments	202	223	11	5
Net input GST/VAT recoverable	288	219	2	2
	18,495	14,530	282	294

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2022: 30 to 90 days) credit term.

(Source: company annual report)

However, it was further disclosed in Note 22 Financial Risk Management Objectives and Policies (page 101) that the bulk of the net trade receivables remain current.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired was as follows:

The Group	2023 $'000	2022 $'000
Past due less than 1 month	2,652	2,057
Past due 1 to 2 months	117	92
Past due over 2 to 3 months	52	9
Past due over 3 months	15	8

(Source: company annual report)

(i) **Can management confirm that the 30% increase in net trade receivables, from $13.2 million to $17.1 million, was mainly due to deliveries made to the athleisure customer near the end of the financial year? Have these trade receivables been collected?**

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(ii) **What are the credit terms offered to the new athleisure customer?**

(iii) **How robust are the group's credit evaluations when onboarding new customers?**

Separately, details of the group's foreign currency risk can be seen in Note 22 (pages 102 and 103).

(iv) **Are the group's costs mostly in local currencies (Malaysian Ringgit and Vietnamese Dong) while its revenues and borrowings are mainly in United States dollar (USD)?**

(v) **Does the audit committee consider it prudent to establish a formal hedging policy given that the group currently does not have one? How does a strong USD impact the group?**

(vi) **In addition, can the audit committee elaborate on the rationale behind the choice of the Singapore dollar as the company's functional currency?**

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Q3. Mr Goh Yeow Tin and Mr Yap Boh Pin will be retiring at the annual general meeting after serving on the board as independent directors for 17 years and 20 years respectively.

Mr Ooi Jit Huat[1] and Mr Lau Ping[2] have been proposed as new independent directors and will be appointed to the board on 25 June 2024 subject to the approval of the company's shareholders at the AGM.

Additional Details

Date Of Appointment
25/06/2024

Name Of Person
Ooi Jit Huat

Age
73

Country Of Principal Residence
Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)
The Board of Directors, having considered amongst others, the recommendation of the Nominating Committee and the qualifications, working experience and competencies of Mr Ooi Jit Huat, is of the view that he is suitable for appointment as Non-Executive and Independent Director of the Company, the Chairman of Audit Committee, and a Member of the Nominating Committee and the Remuneration Committee. Mr Ooi Jit Huat's appointment is subject to the approval of the Company's Shareholders at the AGM to be held on 25 June 2024.

(Source: company announcement)

Information on directors seeking appointment/re-election can be found on pages 30 to 36 of the annual report.

(i) **Would the board elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the nomination of Mr Ooi Jit Huat and Mr Lau Ping, as required in the SGX template?**

(ii) **Can the board or nominating committee explain how the new directors were shortlisted? Were the director-candidates sourced from the contacts and network of existing directors and senior management? If so, how does the board ensure their independence?**

[1] https://links.sgx.com/1.0.0/corporate-announcements/7GITO6Z9XS9RWRC5/b4d4eb904a9bfb2e28b6b30db0283dc88de035b09476e81719d81c4082315e49
[2] https://links.sgx.com/1.0.0/corporate-announcements/V00IVC4UCBJNNN8M/b377e4d364cbb95695b62ddc79a1593448534f8039a0d2da0c331dab83cd22f2

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(iii) **Given that both directors would be serving as first time directors on SGX, how does the board ensure that the directors can hit the ground running and effectively discharge their duties?**

In the announcement of appointment of Mr Ooi Jit Huat, his country of principal residence was stated as Singapore (as shown above). In the disclosure required under Rule 720(5), Mr Ooi Jit Huat's country of principal residence was disclosed as Malaysia.

(iv) **Can the company clarify the discrepancy regarding Mr. Ooi Jit Huat's country of residence for shareholders?**

(v) **How does the board ensure the accuracy and factual nature of the company's announcements?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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