FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

KTL Global Limited (the "Company", and together with its subsidiaries, the "Group") is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables it to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect shareholders' interests. This also helps the Company to create long-term value and returns for its shareholders.

The Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") requires all listed companies to describe in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance in July 2005.

The Company is pleased to report on its corporate governance processes and activities as required by the Code. For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

Statement of Compliance

The Board of Directors of the Company (the "Board") confirms that for the financial year ended 30 June 2010, the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: **Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.**

The Board comprises the following members, all of whom have the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

Tan Tock Han	Executive Chairman
Tan Kheng Yeow ("Wilson Tan")	Chief Executive Officer
Mark Gareth Joseph Beretta ("Mark Beretta")	Executive Director
Cheong Hooi Kheng	Non-Executive Director
Lim Yeow Hua @ Lim You Qin ("Kenny Lim")	Lead Independent Director
Wong Fook Choy, Sunny ("Sunny Wong")	Independent Director (appointed on 16 March 2010)

The principal functions of the Board, in addition to carrying out its statutory responsibilities, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions; and
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation.

CORPORATE GOVERNANCE REPORT

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly and full-year results and interested person transactions of a material nature.

Directors have the opportunity to meet with the Group's management (the "Management") to gain a better understanding of the Group's business operations. The Board as a whole is updated on changing commercial risks, and key changes in the relevant legal and regulatory requirements, as well as accounting standards.

To assist in the execution of its responsibilities, the Board has established three Board Committees, comprising an Audit Committee (the "AC"), a Nominating Committee (the "NC") and a Remuneration Committee (the "RC"). These committees function within clearly defined written terms of reference and operating procedures.

The Board meets regularly on a quarterly basis and ad hoc Board meetings are convened when they are deemed necessary. The number of Board meetings held in the financial year ended 30 June 2010 ("FY2010") is set out below:

	Board	Board Committees		
		Audit	Nominating	Remuneration
Number of meetings held	4	4	1	1
	Number of meetings attended			
Tan Tock Han	4	-	-	-
Wilson Tan	4	-	-	-
Mark Beretta	3	-	-	-
Cheong Hooi Kheng	4	4	1	1
Kenny Lim	4	4	1	1
Sunny Wong(1)	2	2	-	-
Ng Weng Sui, Harry(1)	2	2	1	1

Note:

(1) Mr Ng Weng Sui, Harry resigned as a Director on 5 March 2010 and Mr Sunny Wong was appointed as a Director on 16 March 2010.

The Articles of Association of the Company provide for meetings of the Board to be held by way of telephonic conference.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: **There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

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The Board comprises six directors, of whom two (constituting one-third of the Board) are independent, namely, Mr Kenny Lim and Mr Sunny Wong, and one is non-executive, namely, Mdm Cheong Hooi Kheng. The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director to be one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. With two independent directors, the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues. There is therefore no individual or small group of individuals who dominate the Board's decision-making. The independence of each director is reviewed annually.

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 Company.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group comprises members with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge.

Where necessary or appropriate, the non-executive directors on the Board will meet without the presence of the Management.

The profiles of our directors are set out on pages 14 and 15 of this Annual Report.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: **There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.**

Mr Tan Tock Han currently holds the position of Executive Chairman of the Company while Mr Wilson Tan holds the position of Chief Executive Officer of the Company. Mr Tan Tock Han is the father of Mr Wilson Tan. As all major decisions are made in consultation with the Board and with the establishment of three Board committees, the Board is of the view that there are sufficient safeguards in place to ensure accountability and independent decision-making.

The Board collectively ensures the following:

- in consultation with the Management, the scheduling of meetings to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;
- in consultation with the Management, the preparation of the agenda for Board meetings;
- in consultation with the Management, the exercise of control over the quality, quantity and timeliness of information between the Management and the Board; and
- compliance with corporate governance best practices.

CORPORATE GOVERNANCE REPORT

Mr Kenny Lim has been appointed as the lead independent director. As such, he is the contact person for shareholders in situations where there are concerns or issues that communication with the Executive Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or where such communication is inappropriate.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the director seeking re-election.

The NC comprises Mr Sunny Wong, Mdm Cheong Hooi Kheng and Mr Kenny Lim. The chairman of the NC is Mr Sunny Wong. A majority of the NC, including the chairman, is independent. The chairman of the NC is not, and is not directly associated with, a substantial shareholder of the Company.

The written terms of reference of the NC have been approved and adopted, and they include the following:-

1) Ensuring that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

2) Determining the independence of each director in accordance with Paragraph 2.1 of the Code on an annual basis.

3) Evaluating whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations.

4) Assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

Having made its review, the NC is of the view that Mr Kenny Lim and Mr Sunny Wong have satisfied the criteria for independence.

The Company does not have a formal process for the selection and appointment of new directors to the Board. However, if required, the Company will or is able to procure search services, contacts and recommendations for the purposes of identifying suitably qualified and experienced persons for appointment to the Board.

Board appointments are made by way of a board resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board. Pursuant to the Articles of Association of the Company, each director is required to retire at least once every three years by rotation, and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring directors are eligible to offer themselves for re-election.

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The dates of initial appointment and last re-election of the directors, together with their directorships in other listed companies, are set out below:-

Director	Position	Date of Initial Appointment	Date of Last Re-election	Current directorships in listed companies	Past directorships in listed companies
Tan Tock Han	Executive Chairman	19 March 2007	23 October 2009	Hong Fok Corporation Limited	-
Wilson Tan	Chief Executive Officer	19 March 2007	23 October 2008	-	-
Mark Beretta	Executive Director	31 October 2007	23 October 2008	-	-
Cheong Hooi Kheng	Non-Executive Director	31 October 2007	3 December 2007	Hong Fok Corporation Limited Winfoong International Limited	-
Kenny Lim	Lead Independent Director	31 October 2007	23 October 2009	Advanced Integrated Manufacturing Corp. Ltd. Eratat Lifestyle Limited (1) China Minzhong Food Corporation Limited Great Group Holdings Limited KSH Holdings Limited	-
Sunny Wong	Independent Director	16 March 2010	-	Albedo Limited Excelpoint Technology Ltd. Mencast Holdings Ltd.	Advanced Integrated Manufacturing Corp. Ltd. Global Testing Corporation Ltd.

Note:

(1) Formerly known as China Eratat Sports Fashion Limited

CORPORATE GOVERNANCE REPORT

The NC, in determining whether to recommend a director for re-appointment will have regard to the director's performance and contribution to the Group and whether the director has adequately carried out his or her duties as a director.

The NC has nominated Mr Wilson Tan, Mdm Cheong Hooi Kheng and Mr Sunny Wong, who will be retiring as directors at the forthcoming annual general meeting, to the Board for re-election as directors at the forthcoming annual general meeting.

Key information regarding the directors, including their shareholdings in the Company, is set out on pages 14, 15 and 31 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

5. BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

Board performance is linked to the overall performance of the Group. The Board complies with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for the evaluation of the performance of individual directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the Management and attendance record.

The Board and the NC have endeavoured to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Directors are from time to time furnished with detailed information concerning the Group to support their decision-making process.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the directors one week in advance of Board meetings, followed by the Board papers, in order for the directors to be adequately prepared for the meetings.

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The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times, and may seek independent professional advice, if necessary, at the expense of the Company. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Cap. 50, and the SGX-ST.

7. REMUNERATION MATTERS

Principle 7: **There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each director.

The RC comprises Mr Sunny Wong, Mdm Cheong Hooi Kheng and Mr Kenny Lim, all of whom are non-executive directors. The chairman of the RC is Mr Sunny Wong. A majority of the NC, including the chairman, is independent.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include the following:-

1) Recommending to the Board a framework of remuneration for the directors and senior Management that covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

2) Determining specific remuneration packages for each executive director.

3) Recommending to the Board the remuneration of non-executive directors, which should be appropriate to the level of their respective contributions, taking into account factors such as effort and time spent, and the responsibilities of the non-executive directors.

4) Reviewing and recommending to the Board the terms of renewal of the service contracts of Directors.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has access to advice regarding executive compensation matters, if required.

The RC's recommendations will be submitted for endorsement by the Board. No director is involved in deciding his own remuneration.

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8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to the run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings.

Remuneration for the executive directors comprises a basic salary component and a variable component that is the incentive bonus, based on the performance of the Group as a whole. The Company entered into service agreements with the executive directors, namely Mr Tan Tock Han, Mr Wilson Tan and Mr Mark Beretta, on 2 November 2007, for an initial period of three years with effect from the date of admission of the Company to the Official List of the SGX-ST. Upon the expiry of the initial period of three years, their employment shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. During the initial period of three years, either party may terminate the service agreements at any time by giving the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the director's last drawn monthly salary.

9. DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The level and mix of remuneration paid or payable to the directors and executive officers for FY2010 are set out as follows:-

Remuneration bands	Salary & CPF %	Bonus & CPF %	Director's Fee[1] %	Other Benefits %	Total %
Directors					
$500,000 to less than $750,000					
Tan Tock Han[2]	64.5	16.7	9.8	9.1	100.0
$250,000 to less than $500,000					
Wilson Tan[2]	62.9	17.4	10.5	9.2	100.0
Mark Beretta	64.6	17.8	10.8	6.8	100.0

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Remuneration bands	Salary & CPF %	Bonus & CPF %	Director's Fee[1] %	Other Benefits %	Total %
Less than $250,000					
Cheong Hooi Kheng	-	-	100.0	-	100.0
Kenny Lim	-	-	100.0	-	100.0
Sunny Wong[3]	-	-	100.0	-	100.0
Ng Weng Sui, Harry[3]	-	-	100.0	-	100.0
Executive officers and employees related to Directors					
Less than $250,000					
Tan Kheng Kuan[2]	69.1	21.4	-	9.5	100.0
Tan Suan Suan[2]	81.6	18.4	-	-	100.0
Law Sai Leung	82.7	17.3	-	-	100.0
Cheong Gim Kheng[2]	82.2	17.8	-	-	100.0
Lim Kor Hin[2]	80.1	19.9	-	-	100.0

Notes:-

(1) Director's fees are subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

(2) Mr Tan Kheng Kuan and Ms Tan Suan Suan are the children of Mr Tan Tock Han and siblings of Mr Wilson Tan. Mdm Cheong Gim Kheng is the wife of Mr Tan Tock Han and mother of Mr Wilson Tan. Mdm Lim Kor Hin is the wife of Tan Kheng Kuan.

(3) Mr Ng Weng Sui, Harry resigned as a Director on 5 March 2010 and Mr Sunny Wong was appointed as a Director on 16 March 2010.

Save as disclosed in Note (2) above, there were no employees of the Company or its subsidiaries who were immediate family members of any director or the Chief Executive Officer.

The Company had adopted the KTL Performance Share Scheme (the "Scheme") on 23 October 2009. Under the Scheme, awards of fully-paid ordinary shares in the capital of the Company in the form of existing shares held as treasury shares and/or new shares will be delivered free of charge, to selected employees of the Group and other selected participants. The aggregate number of shares which may be delivered under the Scheme shall not exceed 15% of the total number of issued shares of the Company (excluding treasury shares) from time to time. Further details on the Scheme are set out in the circular to shareholders dated 7 October 2009 issued by the Company. As at the date hereof, no awards have been granted under the Scheme.

CORPORATE GOVERNANCE REPORT

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the quarterly and full-year financial statements to shareholders, the Board aims to provide shareholders with a detailed and balanced analysis and explanation of the Group's financial position and prospects.

The Management provides the Board with relevant information on the performance of the Group on a timely and on-going basis in order that the Board may effectively discharge its duties.

11. AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

The AC comprises Mr Kenny Lim, as the chairman, and Mr Sunny Wong and Mdm Cheong Hooi Kheng, as members, all of whom are non-executive directors. A majority of the AC, including the chairman, are independent directors. The members of the AC have sufficient financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC's functions.

The written terms of reference of the AC have been approved and adopted. The main duties and powers of the AC include:-

1) Reviewing the audit plans of the external auditors and the internal auditors, including the results of the internal auditors' review and evaluation of the system of internal controls.

2) Reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, and concerns and issues arising from their audits, including any matters that the external auditors may wish to discuss in the absence of the Management, where necessary.

3) Reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and any other information required by the SGX-ST Listing Manual, before submission to the Board for approval.

4) Reviewing and discussing with external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response.

5) Considering the independence and the appointment and re-appointment of the external auditors.

6) Reviewing and ratifying any interested person transactions.

7) Undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters that require the attention of the AC.

8) Generally undertaking such other functions and duties as may be required by the relevant laws or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

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The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external auditors without the presence of the Management, at least annually.

The AC undertakes such further functions as may be agreed to by the AC and the Board from time to time.

The total non-audit fees paid to the external auditors for FY2010 amounted to approximately $13,000. The AC, having undertaken a review of all non-audit services provided by the external auditors, is of the opinion that such services would not affect the independence of the external auditors.

The AC has reviewed arrangements under which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action.

12. INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Management provides reasonable assurance against material financial misstatements or loss, and concerning the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks. The Board is therefore of the view that the system of internal controls and risk management maintained by the Group is adequate for safeguarding shareholders' investments and the Group's assets.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

13. INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes. The internal auditors report directly to the chairman of the AC. The AC reviews and approves the annual internal audit plans, and reviews the scope and results of the internal audit performed by the internal auditors. The AC will ensure the adequacy of the internal audit function at least annually.

CORPORATE GOVERNANCE REPORT

14. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular and fair communication with shareholders.

The Company recognises that effective communication leads to transparency and enhances accountability. The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is publicly released and is announced within the mandatory period. The Company does not practise selective disclosure.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders of the Company receive the Annual Report and the notice of the annual general meeting. The notice will also be advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at annual general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of each of the Board committees. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. The Company also ensures that there are separate resolutions at general meetings on each distinct issue.

The Board supports the Code's principle of encouraging shareholder participation. The Articles of Association of the Company currently allow a member of the Company to appoint up to two proxies to attend and vote at general meetings.

15. DEALINGS IN SECURITIES

In compliance with the best practices set out in the SGX-ST Listing Manual on dealings in securities, directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company prohibits dealings in its shares by its officers and employees during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements, and ending on the date of the announcement of the results.

16. RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks, as well as appropriate measures through which to control and mitigate these risks. The Management reviews all significant control policies and procedures, and highlights all significant matters to the Board and the AC.

CORPORATE GOVERNANCE REPORT

17. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

For FY2010, the Group has carried out the following interested person transactions:-

Name of Interested Person	Aggregate value of all interested person transactions during FY2010 (excluding transactions of less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions of less than $100,000)
Wiljohn Investment Pte. Ltd.[1]		
- Lease of premises at 61 Tuas Bay Drive, Singapore 637428	$1,716,000	-
- Lease of premises at 71 Tuas Bay Drive, Singapore 637430	$1,110,000	-

Note:-

(1) Wiljohn Investment Pte. Ltd. is a company that is wholly-owned by Mr Tan Tock Han and Mr Wilson Tan, the executive directors of the Company, and their associates.

Save as disclosed above, there were no material contracts of the Group involving the interests of the Chief Executive Officer, each director or controlling shareholder, either still subsisting at the end of FY2010 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of KTL Global Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2010.

Directors

The directors of the Company in office at the date of this report are:

Tan Tock Han
Tan Kheng Yeow
Mark Gareth Joseph Beretta
Lim Yeow Hua @ Lim You Qin
Cheong Hooi Kheng
Wong Fook Choy Sunny

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Tan Tock Han	–	–	88,500,000	90,109,000
Tan Kheng Yeow	–	–	88,000,000	88,000,000
Mark Gareth Joseph Beretta	240,000	240,000	–	–
Cheong Hooi Kheng	–	100,000	–	–
Ordinary shares of the holding company				
Tan Tock Han	30	30	–	–
Tan Kheng Yeow	20	20	–	–

There was no change in any of the above-mentioned interest between the end of the financial year and 21 July 2010.

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

By virtue of Section 7 of the Act, Mr Tan Tock Han and Mr Tan Kheng Yeow are deemed to have interests in the shares of the subsidiaries of the Company.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options were issued by the Company or any of its subsidiaries during the financial year. As at 30 June 2010, there were no options on the unissued shares of the Company or any of its subsidiaries which were outstanding.

Audit Committee

The Audit Committee has performed the functions specified in the Act. The functions performed are detailed in the Corporate Governance Report.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors:

Tan Tock Han
Director

Tan Kheng Yeow
Director

Singapore
23 September 2010

STATEMENT BY DIRECTORS

We, Tan Tock Han and Tan Kheng Yeow, being two of the directors of KTL Global Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Tan Tock Han
Director

Tan Kheng Yeow
Director

Singapore
23 September 2010

INDEPENDENT AUDITORS' REPORT

For the year ended 30 June 2010 to the Members of KTL Global Limited

We have audited the accompanying financial statements of KTL Global Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 36 to 98, which comprise the balance sheets of the Group and the Company as at 30 June 2010, the statements of changes in equity of the Group and the Company, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

For the year ended 30 June 2010 to the Members of KTL Global Limited

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
23 September 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
Revenue	4	**70,213**	71,182
Cost of sales		**(52,042)**	(44,336)
Gross profit		**18,171**	26,846
Other operating income	5	**2,581**	1,204
Administration expenses		**(16,248)**	(15,417)
Sales and marketing expenses		**(3,729)**	(4,229)
Other operating expenses		**(161)**	(1,625)
Share of results of a joint venture company	13	**552**	–
Profit from operations	7	**1,166**	6,779
Interest income		**7**	34
Finance expenses	8	**(628)**	(973)
Profit before taxation and minority interests		**545**	5,840
Taxation	9	**(87)**	(820)
Profit for the year		**458**	5,020
Profit attributable to:			
Shareholders of the Company		**345**	4,998
Minority interests		**113**	22
		458	5,020
		Cents	**Cents**
Basic and diluted earnings per share	10	**0.2**	3.1

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
Profit net of tax		**458**	5,020
Other comprehensive income:			
Foreign currency translation		**2**	(1)
Other comprehensive income for the year, net of tax		**2**	(1)
Total comprehensive income for the year		**460**	5,019
Total comprehensive income attributable to:			
Shareholders of the Company		**347**	4,997
Minority interests		**113**	22
		460	5,019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 June 2010

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**14,794**	11,276	**–**	–
Investment in subsidiaries	12	**–**	–	**13,883**	13,161
Derivative asset	30	**134**	–	**134**	–
Goodwill	12	**722**	–	**–**	–
Investment in a joint venture company	13	**559**	–	**7**	–
Long term deposits	16	**313**	707	**–**	–
		16,522	11,983	**14,024**	13,161
Current assets					
Inventories	14	**26,851**	32,435	**–**	–
Trade receivables	15	**24,736**	16,122	**–**	–
Other receivables	16	**881**	2,013	**1**	–
Prepayments		**336**	215	**–**	–
Amount due from a subsidiary	16	**–**	–	**14,343**	14,775
Advances to a related party	17	**–**	584	**–**	–
Income tax recoverable		**231**	–	**–**	–
Cash and cash equivalents	18	**3,406**	5,101	**47**	393
		56,441	56,470	**14,391**	15,168
TOTAL ASSETS		**72,963**	68,453	**28,415**	28,329
EQUITY AND LIABILITIES					
Current liabilities					
Excess of progress billing over contract work-in-progress	19	**255**	1,632	**–**	–
Trade payables	20	**9,805**	7,543	**–**	–
Bills payables	21	**13,695**	10,599	**–**	–
Other payables	22	**1,723**	4,401	**325**	912
Interest-bearing loans and borrowings	23	**3,547**	2,281	**–**	–
Derivative liabilities	30	**47**	–	**–**	–
Income tax payable		**25**	679	**7**	12
		29,097	27,135	**332**	924
NET CURRENT ASSETS		**27,334**	29,335	**14,059**	14,244

BALANCE SHEETS

As at 30 June 2010

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		$'000	$'000	$'000	$'000
Non-current liabilities					
Interest-bearing loans and borrowings	23	**4,610**	3,455	**–**	–
Long term deposits received		**76**	–	**–**	–
Deferred tax liabilities	24	**763**	738	**–**	–
		5,449	4,193	**–**	–
TOTAL LIABILITIES		**34,546**	31,328	**332**	924
NET ASSETS		**38,417**	37,125	**28,083**	27,405
Equity attributable to equity holders of the Company					
Share capital	25	**28,168**	27,388	**28,168**	27,388
Treasury shares	25	**(185)**	–	**(185)**	–
Reserves		**10,056**	9,709	**100**	17
		38,039	37,097	**28,083**	27,405
Minority Interests		**378**	28	**–**	–
TOTAL EQUITY		**38,417**	37,125	**28,083**	27,405
TOTAL EQUITY AND LIABILITIES		**72,963**	68,453	**28,415**	28,329

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Note	Share capital	Treasury shares	Merger reserve*	Translation reserve	Accumulated profits	Total reserves	Minority Interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
At 1 July 2009		27,388	–	(7,660)	(1)	17,370	9,709	28	37,125
Net profit for the year		–	–	–	–	345	345	113	458
Other comprehensive income for the year		–	–	–	2	–	2	–	2
Total comprehensive income for the year		–	–	–	2	345	347	113	460
Acquisition of a subsidiary		–	–	–	–	–	–	237	237
Shares issued upon acquisition of a subsidiary	12	780	–	–	–	–	–	–	780
Purchase of treasury shares	25	–	(185)	–	–	–	–	–	(185)
At 30 June 2010		28,168	(185)	(7,660)	1	17,715	10,056	378	38,417
At 1 April 2009		27,388	–	(7,660)	–	13,972	6,312	–	33,700
Net profit for the year		–	–	–	–	4,998	4,998	22	5,020
Other comprehensive income for the year		–	–	–	(1)	–	(1)	–	(1)
Total recognised income and expense for the year		–	–	–	(1)	4,998	4,997	22	5,019
Dividends paid		–	–	–	–	(1,600)	(1,600)	–	(1,600)
Contribution of capital by minority interests		–	–	–	–	–	–	6	6
At 30 June 2009		27,388	–	(7,660)	(1)	17,370	9,709	28	37,125

* Pursuant to two business transfer agreements each dated 12 September 2007, the Company acquired the relevant business of Wiljohn Investment Pte. Ltd. (formerly known as Kim Teck Leong Offshore Pte Ltd) (comprising the business, assets and liabilities, relating to the supply of rigging equipment and related services, but excluding the property located at Tuas South Avenue 2/Avenue 3) and Kim Test Services Pte Ltd (comprising the business, assets and liabilities, relating to the supply of rigging equipment) for a consideration of $5,285,963 and $256,424, respectively. The consideration was based on the respective net tangible asset value of Wiljohn Investment Pte. Ltd. and Kim Test Services Pte Ltd as at 30 June 2007.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Note	Share capital	Treasury shares	Accumulated profits	Total equity
		$'000	$'000	$'000	$'000
Company					
At 1 July 2009		27,388	–	17	27,405
Net profit for the year		–	–	83	83
Total comprehensive income for the year		–	–	83	83
Shares issued for acquisition of a subsidiary		780	–	–	780
Purchase of treasury shares	25	–	(185)	–	(185)
At 30 June 2010		28,168	(185)	100	28,083
At 1 July 2008		27,388	–	(123)	27,265
Net profit for the year		–	–	1,740	1,740
Total comprehensive income for the year		–	–	1,740	1,740
Dividend paid	26	–	–	(1,600)	(1,600)
At 30 June 2009		27,388	–	17	27,405

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
Cash flows from operating activities			
Profit before tax		545	5,840
Adjustments for:			
Depreciation of property, plant and equipment		1,877	1,127
Loss/(gain) on disposal of property, plant and equipment and investment		91	(9)
Interest expense		628	973
Interest income		(7)	(34)
Loss on write-off of plant and equipment		–	14
Share of results of a joint venture company	13	(552)	–
Fair value loss on derivatives		47	–
Currency translation		1	(1)
		2,085	2,070
Operating profit before working capital changes		2,630	7,910
Decrease/(increase) in inventories		5,584	(2,083)
(Decrease)/increase in net amounts due to a customer for contract work-in-progress		(1,377)	1,632
(Increase)/decrease in trade receivables		(8,205)	1,460
Decrease/(increase) in other receivables and prepayments		1,412	(1,046)
Decrease/(increase) in advances given to a related party		584	(584)
Long term deposits received		76	–
Increase/(decrease) in trade payables		2,219	(3,893)
(Decrease)/increase in other payables		(2,825)	388
Cash generated from operating activities		98	3,784
Income taxes paid		(947)	(1,030)
Interest income		7	34
Net cash flows (used in)/generated from operating activities		(842)	2,788
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,870)	(6,524)
Proceeds from disposal of property, plant and equipment		431	9
Net cash outflow on acquisition of subsidiaries	12	(3,112)	–
Investment in a joint venture company	13	(7)	–
Net cash flows used in investing activities		(5,558)	(6,515)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		**5,334**	(3,478)
Purchase of treasury shares	25	**(185)**	–
Dividends paid		**–**	(1,600)
Interest expense		**(628)**	(973)
Contribution of capital by minority interests		**–**	6
Net cash flows generated from/(used in) financing activities		**4,521**	(6,045)
Net decrease in cash and cash equivalents		**(1,879)**	(9,772)
Cash and cash equivalents at beginning of year		**5,068**	14,840
Cash and cash equivalents at end of year	18	**3,189**	5,068

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

1. Corporate information

1.1 *The Company*

KTL Global Limited (the "Company") is a company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The ultimate holding company is Kim Teck Leong Pte. Ltd. which is incorporated in Singapore.

The registered office and the principle place of business of the Company is located at 71 Tuas Bay Drive, Singapore 637430.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $), the functional currency of the Company.

2.2 *Adoption of accounting standards*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 July 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.2 *Adoption of accounting standards (cont'd)*

- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers
- Amendments to FRS 27 Consolidated and Separate Financial Statements
- Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item
- Revised FRS 103 Business Combinations
- INT FRS 117 Distributions of Non-cash Assets to Owners

Improvements to FRSs

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the revised standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 30 and Note 31 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 33.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2010

2. Summary of significant accounting policies (cont'd)

2.2 Adoption of accounting standards (cont'd)

Revised FRS 103 Business Combinations

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009.

FRS 103 Business Combinations revised

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- the Group elects for each acquisition of a business, whether to measure non-controlling interest (previously described as minority interests) at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, and this impacts the amount of goodwill recognised; and

- when a business is acquired in stages, the previously held equity interests in the acquiree is re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

The adoption of the revised FRS 103 on the Group's consolidated financial statements has no significant financial impact on the acquisition of controlling interest in Intrepid Offshore Construction Pte. Ltd. ("IOC") and Atlantic Engineering FZC ("AEFZC"). Details of the acquisition are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.3 ***Standards issued but not yet effective***

At the date of authorisation of these statements, the following FRS, INT FRS and amendments to FRS were issued but not yet effective:

Reference		Description	Effective date (Annual periods beginning on or after)
FRS 24	Revised	Related Party Disclosures	1 January 2011
FRS 32	Amendments	Financial Instruments Presentation –Classification of Rights Issues	1 February 2010
FRS 102	Amendments	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
INT FRS 114	Amendments	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments relating to Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 119	New	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The management expects that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application except for the following:

Revised FRS 24: Related Party Disclosures

The revised FRS 24 expand the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party entity has control or joint control over the entity, or has significant influence over the entity. The Group is currently determining the impact of the expanded definition has on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2012.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.6 *Foreign currency*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit or loss.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Property	–	50 years (lower of lease term or useful life)
Plant and machinery	–	5 to 15 years
Furniture and fittings	–	5 years
Motor vehicles	–	5 to 10 years
Office equipment	–	5 years
Renovation	–	5 years
Computers	–	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets - Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. An impairment loss is recognised in the profit and loss account when the carrying amount of the cash-generating unit, including goodwill, exceeds the recoverable amount of the cash-generating unit. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.10 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.11 *Joint venture*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in its jointly controlled entities by equity accounting its results from the date the Group obtains joint control until the date the Group ceases to have joint control over the entity.

Under the equity method, the investment in joint venture is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to the joint venture company is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the joint venture company's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the joint venture in the period in which the investment is acquired.

The financial statements of the joint venture are prepared as of the same reporting date as the Company.

2.12 *Financial assets*

Financial assets are recognised on the balance sheet when and only when, the Group becomes a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.12 *Financial assets (cont'd)*

(a) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.13 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.13 ***Impairment of financial assets (cont'd)***

(b) *Assets carried at cost*

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.14 ***Contracts for projects***

Contract work-in-progress consist of costs incurred and recognised profits to date. When progress billings are in excess of contract work-in-progress, the net amount is classified in current liabilities. When the contract work-in-progress is in excess of progress billlings, the net amount is classified in current assets.

The profits to date is recognised based on the stage of completion of the contract activity at the balance sheet date, when the outcome of a project can be estimated reliably. When the outcome of a project cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the winch contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total budgeted contract costs.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total budgeted contract costs.

2.15 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their location and conditions are accounted for on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.17 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants related to an asset may be presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

When the grant relates to an expense item, it is recognised in the profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Grants related to income may be presented as a credit in the profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 *Trade and other receivables*

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13.

2.19 *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 *Trade and other payables*

Liabilities for trade and other amounts payable, which are normally settled on 60-90 day terms, and amount due to director are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.21 ***Financial liabilities***

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

2.22 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with difference charged to profit or loss.

2.23 ***Borrowing costs***

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.24 ***Employee benefits***

Defined contribution plans

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to CPF scheme are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.24 ***Employee benefits (cont'd)***

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.25 ***Leases***

(a) *As lessee*

Hire purchases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26(e).

2.26 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. **Summary of significant accounting policies (cont'd)**

2.26 *Revenue (cont'd)*

(b) *Rendering of services*

Revenue is recognised based on the invoiced value of services rendered and represent service revenue from the inspection and certification of offshore rigging equipment.

(c) *Revenue from construction projects*

Revenue from design and manufacturing of winches and construction of offshore equipment is recognised based on the stage of completion of the contract activities. The accounting policy is stated in Note 2.14.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.27 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.27 *Income taxes (cont'd)*

(b) *Deferred tax (cont'd)*

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of significant accounting policies (cont'd)

2.28 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 *Contingencies*

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.30 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.31 *Treasury shares*

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

3. **Significant accounting judgements and estimates (cont'd)**

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(i) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables, tax recoverable and deferred tax liabilities at 30 June 2010 was $25,000 (2009: $679,000), $231,000 (2009: nil) and $763,000 (2009: $738,000) respectively.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment (excluding property) to be within 5 to 15 years. The carrying amount of the Group's plant and equipment (excluding property) at 30 June 2010 was $11,754,000 (2009: $11,276,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Allowances for inventory obsolescence*

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories at 30 June 2010 was $26,851,000 (2009: $32,435,000).

(iii) *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

3. **Significant accounting judgements and estimates (cont'd)**

Key sources of estimation uncertainty (cont'd)

(iii) *Impairment of loans and receivables (cont'd)*

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Notes 15, 16(excluding prepayments), 17 and 18 to the financial statements.

(iv) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicator exist. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) *Contracts for construction projects*

The Group recognises contract revenue by reference to the stage of completion of the project activity at the balance sheet date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that project costs incurred for work performed to date bear to the estimated budgeted project costs. Significant assumptions are required to estimate the total project costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from project contracts at the balance sheet date are disclosed in Note 19 to the financial statements.

4. **Revenue**

Revenue of the Group represents revenue from sale of goods net of discounts and Goods and Services Tax ("GST") and after eliminating intercompany transactions.

	Group	
	2010	**2009**
	$'000	**$'000**
Sale of goods	**58,799**	65,235
Service revenue	**3,416**	2,246
Rental of equipment	**1,196**	2,858
Contract revenue	**6,802**	843
	70,213	71,182

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

5. Other operating income

	Group 2010 $'000	Group 2009 $'000
Bad debt recovered	**–**	16
Write back of allowance of doubtful debt	**12**	–
Foreign exchange gain, net	**342**	–
Operating lease income	**1,866**	1,010
Gain on disposal of property, plant and equipment	**51**	9
Sundry income	**120**	103
Grant income*	**190**	66
	2,581	1,204

* Grant income relates to grant received from SPRING Singapore for the development of the Group ERP system.

6. Salaries and related expenses

	Group 2010 $'000	Group 2009 $'000
Employee benefits expense (including directors):		
- Salaries and bonus	**6,760**	7,342
- CPF contributions	**509**	431
- Other short-term benefits	**142**	131
- Grant income from jobs credit scheme	**(183)**	(134)
	7,228	7,770

During the last financial year, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each eligible employee on their Central Provident Fund payroll. In October 2009, the Government announced that the Scheme will be extended for half a year with another 2 payments at stepped-down rates in March and June 2010. The Group received grant income of $183,000 (2009: $134,000) from this Scheme.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

7. Profit from operations

	Group	
	2010	2009
	$'000	$'000
Profit from operations is stated after (crediting)/charging:		
Allowance for doubtful debts	**19**	230
Depreciation of property, plant and equipment	**1,877**	1,127
Operating lease expenses	**5,130**	4,786
Loss on disposal/write-off of property, plant and equipment	**142**	14
Non-audit fees paid to auditors of the Company	**13**	13
Foreign exchange (gain)/loss, net	**(342)**	1,395

8. Finance expenses

	Group	
	2010	2009
	$'000	$'000
Interest received and receivable from:		
- banks	**7**	34
Interest paid and payable to:		
- banks	**600**	943
- hire purchase creditors	**28**	30
	628	973

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

9. Taxation

Major components of income tax expense for the years ended 30 June are:

	Group 2010 $'000	Group 2009 $'000
Current tax expense		
Current taxation		
- current year	**20**	584
- under/(over) provision in prior year	**42**	(154)
	62	430
Deferred tax expense		
Movement in temporary differences	**25**	409
Effect of reduction in tax rate	**–**	(19)
	25	390
Income tax expense	**87**	820

Reconciliation of effective tax rate

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years then ended 30 June is as follows:

	2010	2009
Profit from continuing operations and before taxation	**545**	5,840
Income tax using Singapore tax rate at 17% (2009: 17%)	**93**	993
Expenses not deductible for tax purposes	**84**	46
Income not subject to taxation	**(1)**	–
Under/(over) provision in prior year	**42**	(154)
Effect of reduction in tax rate	**–**	(19)
Partial tax exemption	**(21)**	(46)
Share of results of joint venture company	**(94)**	–
Others	**(16)**	–
Income tax expense recognised in the income statement	**87**	820

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year from continuing operations attributable to ordinary equity holders of the parent (after deducting dividends and amortisation of discount on convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 30 June:

	Group	
	2010	**2009**
	$'000	**$'000**
Profit attributable to ordinary equity holders of the Company used in computation of basic earnings per share	**345**	4,998
	Number of shares	**Number of shares**
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**160,537**	160,000
Basic and fully diluted earnings per share (cents)	**0.2**	3.1

As there are no dilutive potential ordinary shares, the basic and fully diluted earnings per share are the same.

11. Property, plant and equipment

	Property	Plant and machinery	Motor vehicles	Furniture and fittings	Office equipment	Renovation	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
At cost								
At 1 July 2008	–	4,758	1,492	841	242	119	521	7,973
Additions	–	4,978	282	413	107	806	143	6,729
Disposals/write-offs	–	(15)	(75)	–	–	–	(1)	(91)
At 30 June 2009	–	9,721	1,699	1,254	349	925	663	14,611
Additions	–	2,445	39	304	4	52	26	2,870
Acquisition of subsidiaries	3,040	–	–	–	–	–	7	3,047
Disposals/write-offs	–	(1,103)	(80)	–	–	–	–	(1,183)
At 30 June 2010	3,040	11,063	1,658	1,558	353	977	696	19,345
Accumulated depreciation and impairment								
At 1 July 2008	–	1,566	381	106	44	48	140	2,285
Depreciation charge	–	607	148	161	48	61	102	1,127
Disposals/write-offs	–	(1)	(75)	–	–	–	(1)	(77)
At 30 June 2009	–	2,172	454	267	92	109	241	3,335
Depreciation charge	–	1,096	161	255	64	186	115	1,877
Disposals/write-offs	–	(581)	(80)	–	–	–	–	(661)
At 30 June 2010	–	2,687	535	522	156	295	356	4,551
Net carrying amount								
At 30 June 2009	–	7,549	1,245	987	257	816	422	11,276
At 30 June 2010	3,040	8,376	1,123	1,036	197	682	340	14,794

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

11. Property, plant and equipment (cont'd)

Included in the property, plant and equipment of the Group are motor vehicles with a net book value of $974,000 (2009: $1,112,000) acquired under hire purchase agreements. The property, located in United Arab Emirates, is purchased during the year through the acquisition of 100% equity interest in Atlantic Engineering FZC ("AEFZC") (Note 12).

The Group's machinery with a carrying amount $146,000 (2009: $168,000) are pledged to secure the Group's bank loans (Note 23).

12. Investment in subsidiaries

	Company	
	2010	**2009**
	$'000	**$'000**
Unquoted equity shares, at cost		
- KTL Offshore Pte. Ltd.	**13,160**	13,160
- KTL Logan Pte. Ltd.	**1**	1
- Intrepid Offshore Construction Pte. Ltd.	**722**	–
	13,883	13,161

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2010	2009
	Held by the Company				
#	KTL Offshore Pte. Ltd.	Singapore	Trading of rigging equipment and related services	**100**	100
#	KTL Logan Pte. Ltd.	Singapore	Design and manufacturing of winches	**65**	65
#	Intrepid Offshore Construction Pte. Ltd.	Singapore	Engineering and fabrication solutions for specialised deck, lifting and mooring equipment for deepwater vessels	**54**	–

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

12. Investment in subsidiaries (cont'd)

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2010	2009
	Held through KTL Offshore Pte. Ltd.				
*	PT. KTL Offshore Indonesia	Indonesia	Inspection and certification of lifting equipment and certification of wire ropes	**95**	95
@	Atlantic Engineering FZC	United Arab Emirates	Trading of rigging equipment and related services	**100**	–

\# Audited by Ernst & Young LLP, Singapore.
@ Audited by Axis Auditing & Accounting.
* Not required to be audited by laws of country of incorporation.

Acquisition of subsidiaries

During the year, the Group acquired the following subsidiaries:

(i) 54% equity interest of Intrepid Offshore Construction Pte. Ltd. ("IOC"); and

Pursuant to the Sale and Purchase Agreement dated 23 November 2009 and its Supplemental Agreement dated 8 March 2010, the minority interest shareholders retain all benefits and liabilities in respect of all assets and liabilities of IOC as at 31 December 2009, and they indemnify KTL Global Limited and IOC against all liabilities, costs, losses and damages relating to or arising from such assets and liabilities.

The sale and purchase agreement for IOC includes a call option granted to the Company to acquire the remaining 46% interest in IOC at a price/earnings multiple of four times (based on the latest available audited earnings of IOC at the time of exercise), exercisable within 12 months from 28 March 2013.

The above option has been assigned an amount of $134,153 based on a purchase price allocation exercise performed by an independent valuer. No other intangible assets are identified and the difference between the purchase consideration and net assets acquired is recorded as goodwill amounting to $721,853.

12. **Investment in subsidiaries (cont'd)**

Acquisition of subsidiaries (cont'd)

(ii) 100% equity interest in Atlantic Engineering FZC ("AEFZC").

The fair values of the identifiable assets and liabilities of the entities as at the date of the acquisition were:

	Recognised on date of acquisition	Carrying amount before combination
	$'000	**$'000**
Property, plant and equipment	**3,047**	952
Trade receivables	**409**	409
Other receivables	**7**	7
Cash	**4**	4
Derivative call option	**134**	–
	3,601	1,372

	Recognised on date of acquisition	Carrying amount before combination
	$'000	**$'000**
Trade payables	**(43)**	(43)
Other payables	**(147)**	(147)
	(190)	(190)
Net identifiable assets	**3,411**	1,182

	$'000
Net identifiable assets	3,411
Minority interest	(237)
Goodwill arising from acquisition	722
Total consideration for acquisition	3,896

Impact of the acquisition on the consolidated statement of comprehensive income

From the acquisition date, the newly acquired subsidiaries contributed $1,170,000 of revenue and $153,000 to the Group's profit net of tax. If the business combination had taken place at the beginning of the year, the Group's profit from operations, net of tax would have been $216,000 and revenue from operations would have been $70,683,000.

NOTES TO THE FINANCIAL STATEMENTS

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12. Investment in subsidiaries (cont'd)

Total cost of business combinations

	$'000
Consideration for acquisition	
- 2,000,000 ordinary shares issued at $0.39 each	780
- Cash paid	3,116
	3,896

The effect of acquisition on cash flows is as follows:

Total consideration for acquisition	3,896
Less: Non-cash consideration-issuance of shares (note 25)	(780)
Consideration settled in cash	3,116
Less: Cash and cash equivalents of subsidiaries acquired	(4)
Net cash outflow on acquisition of subsidiaries	3,112

13. Investment in a joint venture company

	Group	
	2010	2009
	$'000	$'000
Unquoted equity shares, at cost	7	–
Share of post-acquisition reserves	552	–
	559	–

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
				2010	2009
*	Advanced Mooring Systems Pte. Ltd. ("AMS")	Singapore	Design, production and supply of mooring systems for the offshore oil and gas industry	50	–

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13. Investment in a joint venture company (cont'd)

The summarised financial information of AMS, not adjusted for the proportion of ownership held by the Group, is as follows:

	Group	
	2010	2009
	$'000	$'000
Total assets and liabilities:		
Current assets	64	–
Non-current assets	1,597	–
Total assets	1,661	–
Current liabilities	63	–
Non-current liabilities	200	–
Total liabilities	263	–
Income and expenses:		
Income	1,738	–
Expenses	344	–

There are no contingent liabilities relating to the Company's interest in the jointly controlled entity.

14. Inventories

	Group	
	2010	2009
	$'000	$'000
Balance sheet:		
Trading goods and supplies	26,851	32,435
Income statement:		
Inventories recognised as an expense in cost of sales	43,412	41,866
Inclusive of the following charge:		
- Inventories written down	7	56

NOTES TO THE FINANCIAL STATEMENTS

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15. Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies as at 30 June are as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
United States dollars	**11,037**	3,253
Euro	**141**	125
United Arab dirham	**325**	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to $14,131,000 (2009: $8,584,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

Trade receivables past due		
Lesser than 30 days	**3,765**	1,750
30 to 60 days	**4,257**	2,162
61 to 90 days	**2,241**	1,585
More than 90 days	**3,868**	3,087
	14,131	8,584

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2010	**2009**
	$'000	**$'000**
Trade receivables – nominal amounts	**309**	302
Less: Allowance for impairment	**(309)**	(302)
	–	–

15. Trade receivables (cont'd)

	Group Individually impaired	
	2010	**2009**
	$'000	**$'000**
Movement in allowance accounts:		
At 1 July	**302**	202
Charge for the year	**19**	230
Bad debts recovered	**–**	(16)
Write back of overprovision	**(12)**	–
Written off	**–**	(114)
At 30 June	**309**	302

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

16. Other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Long-term deposits	**313**	707	**–**	–
Current				
Deposits	**749**	860	**–**	–
Amount due from outside parties	**106**	1,122	**–**	–
Staff advances	**11**	24	**–**	–
Others	**15**	7	**1**	–
	881	2,013	**1**	–
Amount due from subsidiaries	**–**	–	**14,343**	14,775
	881	2,013	**14,344**	14,775

Amount due from subsidiaries is non-trade related, interest-free and repayable on demand.

Other receivables denominated in foreign currency at 30 June is as follows:

United Arab dirham	**48**	42	**–**	–
United States dollars	**1**	–	**–**	–
Indonesia Rupiah	**12**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

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17. Advances to a related party

Advances denominated in United States dollar, amounting to $584,000, in prior year were paid to Logan Industries Inc, a minority shareholder of KTL Logan Pte. Ltd. as advances to meet suppliers' requests for payments, for design and manufacturing of winches. As at 30 June 2010, the amount has been unutilised.

18. Cash and cash equivalents

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand and at bank	**1,992**	2,991	**47**	393
Short term deposits	**1,414**	2,110	**–**	–
	3,406	5,101	**47**	393
Less: Bank overdraft (Note 23)	**(217)**	(33)	**–**	–
	3,189	5,068	**47**	393

Cash and cash equivalents denominated in foreign currencies at 30 June are as follows:

United States dollars	**1,688**	1,330	**2**	9
United Arab dirham	**37**	76	**–**	–
Indonesia Rupiah	**5**	–	**–**	–

Cash at bank earns interest at floating rates based on daily bank deposit rates from 0% to 0.10 % per annum (2009: 0% to 0.11%). Short-term deposits are made for varying periods of between seven days and one month depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates from 0.05% to 0.2125% per annum (2009: 0.137% to 1.40%).

As at 30 June 2009, the Group's fixed deposit of $410,000 was pledged to secure the Group's banker's guarantee for the rental deposit of the previous premise at Changi South Ave 2. This pledge was discharged as at 30 June 2010.

19. Excess of progress billing over contract work-in-progress

	Group	
	2010	**2009**
	$'000	**$'000**
Aggregate amount of costs incurred and recognised profits to date	**10**	622
Less: Progress billings	**(265)**	(2,254)
	(255)	(1,632)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

20. Trade payables

Trade payables are non-interest bearing and normally settled on 60-90 day terms.

Trade payables denominated in foreign currencies at 30 June are as follows:

	Group	
	2010	2009
	$'000	$'000
United States dollars	**5,791**	5,508
Euro	**1,121**	891
Pound Sterling	**–**	39
Indonesia Rupiah	**5**	–

21. Bills payables

Bills payables are repayable within 1-6 months at effective interest rate of 1.5% to 7% per annum in 2010 (2009: 4.75% to 7% per annum). They are guaranteed by a corporate guarantee issued by KTL Global Limited to the banks.

Bill payables denominated in foreign currencies at 30 June are as follows:

	Group	
	2010	2009
	$'000	$'000
United States dollars	**11,805**	2,719
Euro	**1,472**	546

22. Other payables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deposits and advances received	**195**	1,640	**–**	–
Accrued operating expenses	**509**	1,123	**325**	912
Sundry creditors	**1,019**	1,638	**–**	–
	1,723	4,401	**325**	912

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

23. Interest-bearing loans and borrowings

	Weighted average effective interest rate (per annum)	Maturity	Group As at 30 June 2010	Group As at 30 June 2009
			$'000	$'000
Non-current liabilities				
Secured borrowing				
• Obligations under finance lease (Note 27(c))	4.5% - 6.9%	2010-2015	**377**	534
• UOB term loan	5.0%	2010	**–**	17
Unsecured borrowings				
• UOB bridging loan	5.0%	2013	**2,396**	2,904
• DBS internationalisation finance scheme term loan	5.5%	2018	**1,837**	–
			4,610	3,455
Current liabilities				
Secured borrowings				
• Obligations under finance lease (Note 27(c))	4.5% - 6.9%	2010	**157**	171
• UOB term loan - current portion	5.0%	2010	**14**	49
Unsecured borrowings				
• UOB bridging loan	5.0%	2013	**1,278**	961
• Bank overdrafts (Note 18)	5.25% - 6.75%		**217**	33
• DBS invoice financing	4.75%	2010	**1,619**	1,067
• DBS internationalisation finance scheme term loan	5.5%	2018	**262**	–
			3,547	2,281

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

23. Interest-bearing loans and borrowings (cont'd)

UOB term loan (current and non-current)

The loan denominated in SGD, is repayable in 36 monthly instalments and is required to be fully repaid by 2010. The facility is secured by a fixed charge over 1 unit of 120 ton constant tension reeling machine (Note 11).

DBS invoice financing

The invoice financing of up to $4,500,000 (2009: $4,500,000) is guaranteed by a corporate guarantee issued by KTL Global Limited to the bank. This facility accepts 90% of the total value of invoices assigned and has a repayment period of 150 days.

UOB bridging loan

The four-year SGD bridging loan under the SPRING Singapore's Local Enterprise Finance Scheme to a subsidiary is secured by a corporate guarantee issued by KTL Global Limited to the bank. This loan has an interest rate of 5% (2009: 5%) per annum and repayable in 48 monthly instalments from the day of first drawdown.

DBS internationalisation finance scheme term loan

The eight-year SGD term loan to a subsidiary is secured by a corporate guarantee issued by KTL Global Limited to the bank. This loan has an interest rate of 1.25% (2009: nil) per annum above the bank's prime lending rate and repayable in 96 monthly instalments from the day of first drawdown.

Bank overdrafts

Bank overdrafts are denominated in SGD, bear interest rates from 5.25% to 6.75% (2009: 5.25% to 6.75%) per annum.

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 11) and have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. The effective interest rate ranges from 4.5% to 6.9 % per annum in 2010 (2009: 4.5% to 6.9% per annum).

24. Deferred tax liabilities

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities				
Differences in depreciation	**763**	738	–	–

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25. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2010		2009	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 July	**160,000**	**27,388**	160,000	27,388
Shares issue for acquisition of a subsidiary (Note 12)	**2,000**	**780**	–	–
At 30 June	**162,000**	**28,168**	160,000	27,388

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value. On 25 March 2010, the Company issued 2 million new ordinary shares to the vendors of Intrepid Offshore Construction Pte. Ltd. as partial consideration for the acquisition of its 54% issued share capital.

(b) *Treasury shares*

	Group and Company			
	2010		2009	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 July	**–**	**–**	–	–
Acquired during the financial year	**(500)**	**(185)**	–	–
At 30 June	**(500)**	**(185)**	–	–

On 24 February 2010, the Company purchased 500,000 issued shares at $0.37 per share pursuant to the share purchase mandate, and held them as treasury shares.

26. Dividends

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Declared and paid during the year:				
Dividends on ordinary shares:				
• Final exempt (one-tier) dividend for year ended 30 June 2008: $0.01 per share	**–**	1,600	**–**	1,600

NOTES TO THE FINANCIAL STATEMENTS

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27. Commitments

(a) ***Operating lease commitments – as lessee***

The Group has entered into commercial leases on certain motor vehicles, office equipment, dormitories, warehouse, and office premises. These leases have an average tenure of between 1 and 5 years, with options to renew the lease after that date. None of the lease includes contingent rentals. Future minimum rental payable under non-cancellable operating leases at 30 June are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**2,905**	4,542	–	–
Later than one year but not later than five years	**757**	3,339	–	–
	3,662	7,881	–	–

(b) ***Operating lease commitments – as lessor***

The Group has entered into commercial property leases on its office premise. These non-cancellable leases have remaining lease terms of between 8 to 12 months. Future minimum rentals receivable under non-cancellable lease rentals as at 30 June are as follows:

	Group 2010	Group 2009	Company 2010	Company 2009
Not later than one year	**492**	1,539	–	–
Later than one year but not later than five years	**–**	492	–	–
	492	2,031	–	–

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

27. Commitments (cont'd)

(c) ***Finance lease commitments***

The Group has finance leases for certain items of motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	2010	**2010**	**2009**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**182**	**157**	199	171
Later than one year but not later than five years	**442**	**377**	592	507
Later than five years	**–**	**–**	32	27
Total minimum lease payments	**624**	**534**	823	705
Less: Amounts representing finance charges	**(90)**	**–**	(118)	–
Present value of minimum lease payments	**534**	**534**	705	705

(d) ***Capital commitments***

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
Capital commitments in respect of property, plant and equipment	**–**	1,100
Commitments in respect of contract costs	**–**	1,106

28. Corporate guarantee

The Company has provided corporate guarantee to certain banks for invoice financing and bridging loan taken by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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29. Related party disclosures

An entity or individual is considered a related party of the group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or

(ii) it is subject to common control or common significant influence.

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Dividend income from a subsidiary	**–**	–	**–**	1,600
Rental paid to a company related to the directors (Note 29(c))	**2,826**	2,271	**–**	–
Purchase of goods from a related party	**2,629**	188	**–**	–
Management fee charged to a subsidiary	**–**	–	**1,915**	2,587
Sale of mooring system to joint venture company	**1,680**	–	**–**	–
Design fees on mooring system paid to a company related to a director of the holding company of the joint venture partner	**980**	–	**–**	–

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29. Related party disclosures (cont'd)

(b) ***Compensation of key management personnel***

	Group	
	2010	**2009**
	$'000	**$'000**
Short-term employee benefits	**2,147**	2,645
Central Provident Fund contributions	**52**	74
Other short-term benefits	**142**	131
Total compensation paid to key management personnel	**2,341**	2,850
Comprise amounts paid to:		
Directors of the Company	**1,583**	2,025
Other key management personnel	**758**	825
	2,341	2,850

(c) ***Company related to a director***

Lease agreements

The Group has entered into lease agreements on 5 May 2008 and 2 January 2009 with Wiljohn Investment Pte. Ltd. for the provision of warehouse and office space with a monthly rental of $143,000 and $92,500 per month respectively (Note 29(a)). This amount is determined on an arm's length basis, with reference to independent valuations by a firm of professional valuers.

Wiljohn Investment Pte. Ltd. is jointly owned by Tan Tock Han, the Executive Chairman, Tan Kheng Yeow, Chief Executive Officer, Tan Kheng Kuan, the Director of Administration, Tan Suan Suan, the Executive Assistant to Chairman, Elsie Tan Khim Khim, the daughter of the Executive Chairman and Cheong Gim Kheng, the wife of the Executive Chairman.

NOTES TO THE FINANCIAL STATEMENTS

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30. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2010			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Derivative assets:				
Call option	–	–	134	134
Derivative liabilities:				
Forward currency contracts	–	47	–	47

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

30. Fair value of financial instruments (cont'd)

(a) ***Fair value of financial instruments that are carried at fair value (cont'd)***

Determination of fair value

Forward currency contracts:

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

As at 30 June 2010, there were outstanding forward currency contracts to purchase US$376,000 and Euro 660,000 at average exchange rates of US$1.4 to S$1.0 and Euro 1.8 to S$1.0 respectively. These contracts have maturity dates ranging from 26 July to 15 November 2010.

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (level 3).

	Call option	
	Group	
	2010	**2009**
	$'000	**$'000**
Opening balance	–	–
Acquired during the year (Note 12)	134	–
Closing balance	134	–

There are no financial instruments transferred between level 1, level 2 and level 3 of the fair value hierarchy.

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30. Fair value of financial instruments (cont'd)

(b) ***Financial instruments whose carrying amount approximate fair value***

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables and current bank loans, and non-current bank loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Set below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair value.

	Group			
	Carrying amount		Fair value	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial liabilities:				
Obligations under finance lease	**534**	705	**482**	636
Bridging loan	**3,674**	3,865	**3,648**	3,847

Determination of fair value

Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

30. Fair value of financial instruments (cont'd)

(b) ***Financial instruments whose carrying amount approximate fair value (cont'd)***

Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements:

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2010					
Assets					
Property, plant and equipment	–	–	–	14,794	14,794
Long term deposits	313	–	–	–	313
Investment in a joint venture company	–	–	–	559	559
Derivative asset	–	134	–	–	134
Goodwill	–	–	–	722	722
Inventories	–	–	–	26,851	26,851
Trade receivables	24,736	–	–	–	24,736
Other receivables	881	–	–	–	881
Prepayments	–	–	–	336	336
Income tax recoverable	–	–	–	231	231
Cash and cash equivalents	3,406	–	–	–	3,406
	29,336	134	–	43,493	72,963
2010					
Liabilities					
Excess of progress billing over contract work-in-progress	–	–	–	255	255
Trade payables	–	–	9,805	–	9,805
Bill payables	–	–	13,695	–	13,695
Other payables	–	–	1,723	–	1,723
Interest –bearing loans and borrowings	–	–	8,157	–	8,157
Derivative liabilities	–	47	–	–	47
Income tax payable	–	–	–	25	25
Long term deposits received	–	–	76	–	76
Deferred tax liabilities	–	–	–	763	763
	–	47	33,456	1,043	34,546

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30. Fair value of financial instruments (cont'd)

(b) ***Financial instruments whose carrying amount approximate fair value (cont'd)***

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	$'000	$'000	$'000	$'000	$'000
2009					
Assets					
Property, plant and equipment	–	–	–	11,276	11,276
Long term deposits	707	–	–	–	707
Inventories	–	–	–	32,435	32,435
Trade receivables	16,122	–	–	–	16,122
Other receivables	2,013	–	–	–	2,013
Prepayments	–	–	–	215	215
Advances to a related party	584	–	–	–	584
Cash and cash equivalents	5,101	–	–	–	5,101
	24,527	–	–	43,926	68,453

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
2009					
Liabilities					
Excess of progress billing over contract work-in-progress	–	–	–	1,632	1,632
Trade payables	–	–	7,543	–	7,543
Bill payables	–	–	10,599	–	10,599
Other payables	–	–	4,401	–	4,401
Interest –bearing loans and borrowings	–	–	5,736	–	5,736
Income tax payable	–	–	–	679	679
Deferred tax liabilities	–	–	–	738	738
	–	–	28,279	3,049	31,328

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies

The Group is exposed to interest rate, foreign currency, credit and liquidity risks. The Group's risk management approach seeks to minimise the potential material adverse impact of these exposures.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rate risk arises primarily from the Group's bank overdrafts. As the Group uses mainly fixed rate debts, its exposure to interest rate risk is minimal.

(b) ***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the entities, primarily USD and SGD. The foreign currencies in which these transactions are denominated are mainly United States dollars and Euro. Approximately 35.4% (2009: 30.5%) of the Group's sales are denominated in foreign currencies whilst approximately 88.7% (2009: 91.9%) of the Group's purchases are denominated in foreign currencies.

There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis. When necessary and deemed appropriate, the Group enters into forward currency contracts to hedge against fluctuations in the exchange rates.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates (against the respective functional currencies of the entities), with all other variables held constant, of the Group's profit net of tax and equity.

		2010		2009	
		Profit net of tax	Equity	Profit net of tax	Equity
		$'000	$'000	$'000	$'000
USD	- strengthened 3% (2009: 3%)	**(203)**	**(203)**	(107)	(107)
	- weakened 3% (2009: 3%)	**203**	**203**	107	107
EUR	- strengthened 3% (2009: 3%)	**(61)**	**(61)**	(33)	(33)
	- weakened 3% (2009: 3%)	**61**	**61**	33	33

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets such as cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its debtors on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2010		2009	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**14,051**	**57**	9,087	57
Asia	**6,766**	**27**	3,927	24
Rest of the world	**3,919**	**16**	3,108	19
	24,736	**100**	16,122	100
By industry sectors:				
Offshore Oil and Gas	**20,396**	**82**	8,607	53
Marine	**1,902**	**8**	4,677	29
Others	**2,438**	**10**	2,838	18
	24,736	**100**	16,122	100

NOTES TO THE FINANCIAL STATEMENTS
30 June 2010

31. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk (cont'd)***

At the balance sheet date, approximately:

28.1% (2009: 21.4%) of the Group's trade receivables were due from 5 (2009: 5) major customers who are multi-industry conglomerates located in Singapore and overseas.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade receivables).

(d) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's cash and short term deposits, operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2010				
Financial assets				
Long term deposits	–	313	–	313
Derivative asset	–	134	–	134
Trade receivables	24,736	–	–	24,736
Other receivables	881	–	–	881
Cash and cash equivalents	3,406	–	–	3,406
Total undiscounted financial assets	29,023	447	–	29,470
Financial liabilities				
Trade payables	9,805	–	–	9,805
Other payables	1,723	–	–	1,723
Bills payables	13,695	–	–	13,695
Derivative liabilities	47	–	–	47
Loans and borrowings	3,547	3,823	787	8,157
Long term deposits received	–	76	–	76
Interest on liabilities	669	467	67	1,203
Total undiscounted financial liabilities	29,486	4,366	854	34,706
Total net undiscounted financial liabilities	(226)	(4,156)	(854)	(5,236)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2009				
Financial assets				
Long term deposits	–	707	–	707
Trade receivables	16,122	–	–	16,122
Other receivables	2,013	–	–	2,013
Advances to a related party	584	–	–	584
Cash and cash equivalents	5,101	–	–	5,101
Total undiscounted financial assets	23,820	707	–	24,527
Financial liabilities				
Trade payables	7,543	–	–	7,543
Other payables	4,401	–	–	4,401
Bills payables	10,599	–	–	10,599
Loans and borrowings	2,281	3,428	27	5,736
Interest on liabilities	474	296	5	775
Total undiscounted financial liabilities	25,298	3,724	32	29,054
Total net undiscounted financial liabilities	(1,478)	(3,017)	(32)	(4,527)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

	1 year or less
	$'000
Company	
2010	
Financial assets	
Other receivables	1
Amount due from a subsidiary	14,343
Cash and cash equivalents	47
Total undiscounted financial assets	14,391
Financial liabilities	
Other payables	325
Total undiscounted financial liabilities	325
Total net undiscounted financial assets	14,066
2009	
Financial assets	
Amount due from a subsidiary	14,775
Cash and cash equivalents	393
Total undiscounted financial assets	15,168
Financial liabilities	
Other payables	912
Total undiscounted financial liabilities	912
Total net undiscounted financial assets	14,256

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Company				
2010				
Financial guarantees				
DBS invoice financing	1,619	–	–	1,619
UOB bridging loan	1,278	2,396	–	3,674
	2,897	2,396	–	5,293
2009				
Financial guarantees				
DBS invoice financing	1,067	–	–	1,067
UOB bridging loan	961	2,904	–	3,865
	2,028	2,904	–	4,932

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2010 and 30 June 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

32. **Capital management (cont'd)**

	Group	
	2010	**2009**
	$'000	**$'000**
Loans and borrowings (Note 23)	**8,157**	5,736
Bills payables (Note 21)	**13,695**	10,599
Trade payables (Note 20)	**9,805**	7,543
Other payables (Note 22)	**1,723**	4,401
Less: Cash and cash equivalents (Note 18)	**(3,406)**	(5,068)
Net debt	**29,974**	23,211
Equity attributable to the equity holders of the parent	**38,039**	37,097
Total capital	**38,039**	37,097
Capital and net debt	**68,013**	60,308
Gearing ratio	**44%**	38%

33. **Segment information**

For management purposes, the Group is organised into business segments based on the industry of the customers that it provides products and services to, and has three reportable operating segments as follows:

I. The offshore oil and gas segment relates to sales of goods and services to customers in the oil and gas industry including design and construction of winches and offshore equipment. This reportable segment has been formed by aggregating the customers in the oil and gas industry which are regarded by management to exhibit similar economic characteristics.

II. The marine segment relates to sales of goods and services to customers in the marine industry.

III. Others business segment relates to sales to those customers who are mainly in the offshore construction and engineering industries.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table in Note 33(a), is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

33. Segment information (cont'd)

(a) ***Business segments***

The following table presents revenue and results information regarding the Group's business segments for the years ended 30 June 2010 and 2009:

	Offshore oil and gas	Marine	Others	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2010				
Revenue	52,708	9,599	7,906	70,213
Other income				2,581
Segment revenue				72,794
Segment results	399	(10)	225	614
Share of results of a joint venture company				552
Finance income				7
Finance expenses				(628)
Profit before tax				545
Income tax expense				(87)
Profit after tax				458
As at 30 June 2010				
Segment assets	54,176	9,869	8,128	72,173
Investment in a joint venture company				559
Income tax recoverable				231
Total assets				72,963
Segment liabilities	19,217	3,501	2,883	25,601
Income tax payable and deferred tax liabilities				788
Total interest-bearing loans and borrowings				8,157
Total liabilities				34,546
Other segment information:				
Depreciation	1,409	257	211	1,877
Capital expenditure	1,395	809	666	2,870

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

33. Segment information (cont'd)

(a) ***Business segments (cont'd)***

	Offshore oil and gas	Marine	Others	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2009				
Revenue	54,015	5,544	11,623	71,182
Other income				1,204
Segment revenue				72,386
Segment results	6,090	160	529	6,779
Finance income				34
Finance expenses				(973)
Profit before tax				5,840
Income tax expense				(820)
Profit after tax				5,020
As at 30 June 2009				
Segment assets	52,101	5,281	11,071	68,453
Total assets				68,453
Segment liabilities	18,402	1,866	3,907	24,175
Income tax payable and deferred tax liabilities				1,417
Total interest-bearing loans and borrowings				5,736
Total liabilities				31,328
Other segment information:				
Depreciation	858	87	182	1,127
Capital expenditure	5,121	519	1,089	6,729

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

33. Segment information (cont'd)

(b) *Geographical segments*

The turnover by geographical segments is based on the delivery order address of the customers.

The following table provides an analysis of the Group revenue by geographical market:

	Group Revenue	
	2010	**2009**
	$'000	**$'000**
Singapore	**34,499**	35,825
Asia	**18,865**	18,738
Rest of the world	**16,849**	16,619
	70,213	71,182

	Assets		Capital expenditure	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**69,237**	67,427	**2,253**	6,729
Asia	**36**	–	**20**	–
Rest of the world	**3,690**	1,026	**597**	–
	72,963	68,453	**2,870**	6,729

Asia includes Brunei, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, People's Republic of China, South Korea, Taiwan, Thailand and Vietnam.

Rest of the world include Africa, Australia, North and South America, Europe, the Middle East and New Zealand.

34. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of directors on 23 September 2010.

SHAREHOLDING STATISTICS

As at 13 September 2010

Issued and paid-up capital	:	$29,773,922
Number of shares	:	162,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company holds 3,034,000 issued shares as treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 13 September 2010

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 999	0	0.00	0	0.00
1,000 - 10,000	600	52.54	3,930,500	2.47
10,001 - 1,000,000	532	46.58	32,719,500	20.58
1,000,001 and above	10	0.88	122,316,000	76.95
Grand Total	**1,142**	**100.00**	**158,966,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 September 2010)

NAME OF SHAREHOLDERS	DIRECT INTEREST NO. OF SHARES	DIRECT INTEREST %(3)	DEEMED INTEREST NO. OF SHARES	DEEMED INTEREST %(3)
Tan Tock Han(1)	–	–	91,109,000	57.31
Tan Kheng Yeow(2)	–	–	88,000,000	55.36
Kim Teck Leong Pte. Ltd.	88,000,000	55.36	–	–

Notes:

(1) Mr Tan Tock Han is deemed to have an interest in the 88,000,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50 (the "Act") and the 3,109,000 shares held by his wife, Mdm Cheong Gim Kheng, by virtue of Section 164(15) of the Act.

(2) Mr Tan Kheng Yeow is deemed to have an interest in the 88,000,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Act.

(3) The percentages of issued share capital are calculated based on 158,966,000 issued shares (excluding treasury shares) in the capital of the Company as at 13 September 2010.

SHAREHOLDING STATISTICS

TWENTY LARGEST SHAREHOLDERS AS AT 13 SEPTEMBER 2010

	NAME OF SHAREHOLDER	NO.OF SHARES	% OF SHAREHOLDINGS
1	KIM TECK LEONG PTE. LTD.	88,000,000	55.36
2	CIMB SECURITIES (SINGAPORE) PTE LTD	8,173,000	5.14
3	CITIBANK NOMINEES SINGAPORE PTE LTD	6,499,000	4.09
4	HONG LEONG FINANCE NOMINEES PTE LTD	6,125,000	3.85
5	TAN SEK KHOON	5,373,000	3.38
6	LIM & TAN SECURITIES PTE LTD	2,225,000	1.40
7	CHIANG SOK YANG	1,826,000	1.15
8	OVE WILLIAM AKERBLOM	1,680,000	1.06
9	TAURUS CAPITAL PARTNERS PTE LTD	1,350,000	0.85
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,065,000	0.67
11	TAN XINGKUAN (CHEN XINGKUAN)	992,000	0.62
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	870,000	0.55
13	YEO AI TEE	861,000	0.54
14	DBS NOMINEES PTE LTD	792,000	0.50
15	EASTERN NAVIGATION PTE LTD	715,000	0.45
16	TAN KHENG KUAN (CHEN QINGQUAN)	650,000	0.41
17	SNG LAY POH @ SNG ZIYUAN DAVID	625,000	0.39
18	OCBC SECURITIES PRIVATE LTD	610,000	0.38
19	HSBC (SINGAPORE) NOMINEES PTE LTD	550,000	0.35
20	HON CHUNG LIP	500,000	0.31
	TOTAL	**129,481,000**	**81.45**

FREE FLOAT

Based on the information provided to the Company as at 13 September 2010, approximately 41.94% of the issued ordinary shares (excluding treasury shares) of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of KTL Global Limited (the "Company") will be held at 71 Tuas Bay Drive, Singapore 637430 on Friday, 22 October 2010 at 10.00 am for the following purposes:-

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 30 June 2010, together with the Auditors' Report thereon.

Resolution 2

2. To re-elect Mr Tan Kheng Yeow, who is retiring by rotation pursuant to Article 104 of the Company's Articles of Association (the "Articles") and who, being eligible, is offering himself for re-election as a Director.

Resolution 3

3. To re-elect Mdm Cheong Hooi Kheng, who is retiring by rotation pursuant to Article 104 of the Articles and who, being eligible, is offering herself for re-election as a Director.

Resolution 4

4. To re-elect Mr Wong Fook Choy Sunny, who is retiring pursuant to Article 114 of the Articles and who, being eligible, is offering himself for re-election as a Director.

   [Mr Wong will, upon re-election as a Director, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.]

Resolution 5

5. To approve the payment of Directors' fees of S$280,000 for the financial year ended 30 June 2010. [FY2009: S$280,000]

Resolution 6

6. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to set their remuneration.

7. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

Resolution 7

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

"General authority to allot and issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

(A) (i) allot and issue shares in the capital of the Company, whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:-

(1) The aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not:

(i) in the case of a pro-rata renounceable rights issue, exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) ("Issued Shares"); and

(ii) in all other cases, exceed 50% of the total number of Issued Shares, provided that the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of Issued Shares;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this authority is given, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is given; and

(ii) any subsequent bonus issue, consolidation or sub-division of shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

Resolution 8

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

"Authority to issue shares other than on a pro-rata basis at a discount exceeding 10% but not more than 20%

That, subject to and contingent upon Resolution 7 being passed, authority be and is hereby given to the Directors of the Company to allot and issue shares in the capital of the Company, pursuant to the share issue mandate granted under Resolution 7, otherwise than on a pro-rata basis to the existing shareholders of the Company, at a price per share which is at a discount exceeding 10% but not more than 20% of the weighted average price per share for trades done on the SGX-ST for the full market day on which the placement, subscription or other equivalent agreement is signed, or if trading in the shares is not available for a full market day, the weighted average price per share for trades done on the preceding market day up to the time the placement, subscription or other equivalent agreement is signed, provided that (unless revoked or varied by the Company in general meeting) this authority shall continue in force until 31 December 2010 or such later date as the SGX-ST may permit, but no later than the expiry of the share issue mandate granted under Resolution 7."

[see Explanatory Note (ii)]

Resolution 9

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

"Authority to issue shares pursuant to the KTL Performance Share Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised and empowered to grant awards in accordance with the KTL Performance Share Scheme (the "Scheme") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of awards under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme, when added to the number of shares issued and issuable in respect of all awards granted under the Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time."

[see Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

Resolution 10

11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

"Share purchase mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares ("Shares") in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST") transacted through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the directors of the Company as they consider fit, such scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;

(c) in this Resolution:

"Prescribed Limit" means 10 percent of the issued ordinary Shares (excluding any Shares held as treasury shares) of the Company as at the date of the passing of this Resolution; and

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i)	in the case of a Market Purchase	:	105 percent of the Average Closing Price; and
(ii)	in the case of an Off-Market Purchase	:	120 percent of the Average Closing Price,

where:

"Average Closing Price" is the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[see Explanatory Note (iv)]

BY ORDER OF THE BOARD

Law Sai Leung
Company Secretary
Singapore
6 October 2010

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

(i) Ordinary Resolution 7, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding (i) in the case of a renounceable rights issue, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, and (ii) in all other cases, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting at the time Ordinary Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

(ii) Ordinary Resolution 8, if passed, will empower the Directors to undertake share placements pursuant to the general share issue mandate, proposed in Ordinary Resolution 7, at a discount exceeding 10% but not more than 20% of the weighted average trading price of the shares. The aforesaid discount was permitted by SGX-ST with effect from 20 February 2009 until 31 December 2010, subject to review by the SGX-ST.

(iii) Ordinary Resolution 9, if passed, will empower the Directors to grant awards under the KTL Performance Share Scheme and to allot and issue shares pursuant to the vesting of awards under the said Scheme, provided that the number of shares to be issued, when added to the number of shares issued and issuable in respect of all awards granted under the said Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

(iv) Ordinary Resolution 10, if passed, will renew the mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution. Further details are set out in the Letter to Shareholders on pages 107 to 118 of the Company's Annual Report.

Notes

(i) A member of the Company entitled to attend and vote at the abovementioned Meeting may appoint not more than two proxies to attend and vote in his stead.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy, in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 71 Tuas Bay Drive, Singapore 637430 not less than 48 hours before the time appointed for holding the abovementioned Meeting.

LETTER TO SHAREHOLDERS

KTL GLOBAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200704519M)

Board of Directors:-
Mr Tan Tock Han (Executive Chairman)
Mr Tan Kheng Yeow (Chief Executive Officer)
Mr Mark Gareth Joseph Beretta (Chief Operating Officer)
Mr Lim Yeow Hua @ Lim You Qin (Lead Independent Director)
Mdm Cheong Hooi Kheng (Non-Executive Director)
Mr Wong Fook Choy, Sunny (Independent Director)

Registered Office:-
71 Tuas Bay Drive
Singapore 637430

6 October 2010

To: The Shareholders of KTL Global Limited ("**Shareholders**")

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

We refer to the Notice of the Annual General Meeting (the "2010 AGM") of KTL Global Limited (the "Company", and together with its subsidiaries, the "Group") dated 6 October 2010 in respect of the AGM to be held on Friday, 22 October 2010 at 10.00 am at 71 Tuas Bay Drive, Singapore 637430 and resolution 10 set out under "Special Business" in the Notice of the said AGM.

1. INTRODUCTION

Shareholders had approved a mandate (the "Share Purchase Mandate") at the extraordinary general meeting held on 7 October 2009 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares"). The authority conferred on the directors of the Company (the "Directors") under the Share Purchase Mandate will expire at the forthcoming 2010 AGM to be held on 22 October 2010.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the Share Purchase Mandate. The purpose of this letter ("Letter") is to provide Shareholders with information in relation to the renewal of the Share Purchase Mandate.

2. RATIONALE FOR THE SHARE PURCHASE MANDATE

The rationale for the Company to undertake the purchase or acquisition of its Shares is that the Share Purchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The Share Purchase Mandate will also allow the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves, with a view to enhancing the net tangible assets and/or earnings per Share.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would have or may have a material adverse effect on the liquidity and capital of the Company and the Group.

LETTER TO SHAREHOLDERS

3. **AUTHORITY AND LIMITS OF THE SHARE PURCHASE MANDATE**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if renewed at the 2010 AGM, are summarised below:

(a) Maximum Number of Shares

The Company may purchase only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the 2010 AGM on which the resolution renewing the Share Purchase Mandate is passed (the "Approval Date"). Shares, which are held as treasury shares, will be disregarded for purposes of computing the 10% limit.

As at 13 September 2010 (the "Latest Practicable Date"), the Company had 158,966,000 issued Shares (excluding treasury shares) and thus up to 15,896,600 issued Shares may be purchased by the Company.

(b) Duration of Authority

Purchases of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:-

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders in general meeting.

(c) Manner of Purchase

Purchases of Shares may be made on the SGX-ST ("Market Purchases") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("Off-Market Purchases") as defined in Section 76C(6) of the Companies Act, Chapter 50 (the "Companies Act").

Market Purchases refer to purchases of Shares by the Company effected on the Singapore Exchange Securities Trading Limited (the "SGX-ST") through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

LETTER TO SHAREHOLDERS

(i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:-

(aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(bb) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:-

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed share purchase;

(iv) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the "Take-over Code") or other applicable take-over rules;

(v) whether the share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST; and

(vi) details of any share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

(d) <u>Maximum Purchase Price</u>

The purchase price (excluding brokerage, stamp duties, commissions, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

(the "Maximum Price") in either case, excluding related expenses of the purchase.

For the above purposes:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market-Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period; and

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. STATUS OF PURCHASED SHARES

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. According to the key provisions on treasury shares under the Companies Act:

(a) <u>Maximum Holdings</u>

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) <u>Voting and other Rights</u>

The Company will not have the right to attend or vote at meetings and/or to receive any dividends in respect of treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) <u>Disposal and Cancellation</u>

The Company may dispose of treasury shares at any time in the following ways:

(i) selling the treasury shares for cash;

(ii) transferring the treasury shares for the purposes of or pursuant to an employees' share scheme;

LETTER TO SHAREHOLDERS

(iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancelling the treasury shares; or

(v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

5. SOURCE OF FUNDS

Any purchase of Shares may be made out of the Company's distributable profits that are available for payment as dividends. The Companies Act also permits the Company to purchase its Shares out of capital, provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

The Company will use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of its Shares.

6. FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the proposed Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased, the purchase prices paid at the relevant times, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases.

(a) <u>Purchase or Acquisition Out of Capital or Profits</u>

Where the purchase of Shares is made out of distributable profits, such purchase (including costs incidental to the purchase) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

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Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

(b) Illustrative Financial Effects

For illustrative purposes only and on the basis of the following assumptions:-

(i) that the purchase or acquisition by the Company of 15,896,600 Shares, representing 10% of its issued Shares as at the Latest Practicable Date, was made on 30 June 2010;

(ii) that the Company purchased or acquired Shares via Market Purchases at the Maximum Price of $0.3927 for each Share (being 105% of the Average Closing Price as at 30 June 2010);

(iii) that the purchase or acquisition of Shares by the Company, which required funds amounting to $6,242,595 was financed entirely using its internal sources of funds and bank borrowings; and

(iv) that the purchase or acquisition of Shares was made entirely out of profits and the Shares were held as treasury shares after the purchase or acquisition,

the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 June 2010 ("FY2010"), are set out below.

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at 30 June 2010	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Share capital	28,168	28,168	28,168	28,168
Retained earnings	10,056	10,056	100	100
Treasury shares	185	6,428	185	6,428
Shareholders' funds	38,039	31,796	28,083	21,840
Net tangible assets[1]	37,695	31,452	28,083	21,840
Current assets	56,441	53,035	14,391	8,148
Current liabilities	29,097	31,934	332	332
Working capital	27,344	21,101	14,059	7,816
Total liabilities[2]	34,546	37,383	322	322
Cash and cash equivalents[2]	3,406	-	47	47
Number of Shares ('000)	158,966	143,069	158,966	143,069
Financial Ratios				
Net tangible assets per Share (cents)	23.7	22.0	17.7	15.3
Earnings per Share (cents)	0.2	0.2	0.1	0.1
Gearing ratio[3] (times)	0.6	0.8	-	-
Current ratio[4] (times)	1.9	1.7	43.3	24.5

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Notes:-

(1) Net tangible assets equal total net assets less deferred expenditure and other intangible assets.

(2) As funding for the Share purchases is assumed to be obtained from the subsidiaries, the cash and cash equivalents and liabilities at the Company level is not affected.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects set out in this Section 6 are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical FY2010 numbers and are in no way indicative of the Company's real financial position or a forecast of the Company's financial figures.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

7. LISTING RULES

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last 5 Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 3(d) above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 am (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of 2 weeks immediately preceding the announcement of the Company's quarterly results or 1 month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

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8. LISTING STATUS ON THE SGX-ST

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its issued Shares (excluding treasury shares) are in the hands of the public. The "public", as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer, substantial shareholders and controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there were approximately 66,667,000 issued Shares in the hands of the public (as defined above), representing 41.94% of the total number of issued Shares (excluding treasury shares) of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and holds the purchased Shares as treasury shares, the number of issued Shares in the hands of the public would be reduced to 50,770,400 Shares, representing 35.49% of the total number of issued Shares (excluding treasury shares) of the Company. As at the Latest Practicable Date, the Company held 3,034,000 treasury shares.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without:

(i) affecting adversely the listing status of the Shares on the SGX-ST;

(ii) causing market illiquidity; or

(iii) affecting adversely the orderly trading of Shares.

9. TAX IMPLICATIONS

(a) <u>Where the Company uses its Distributable Profits for Share Purchases</u>

Under Section 10J of the Income Tax Act, Chapter 134 (the "Income Tax Act"), a company which purchases its own shares using its distributable profits is deemed to have paid a dividend to the shareholders from whom the shares are acquired.

As the Company is under the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of dividends for any Share purchase made.

The tax treatment of the receipt from a Share purchase in the hands of the Shareholders will depend on whether the disposal arises from a Market Purchase or an Off-Market Purchase. Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase effected by way of an equal access scheme will be treated for income tax purposes as receipts of dividends.

LETTER TO SHAREHOLDERS

(b) Where the Company uses its Contributed Capital for the Share Purchase

Under Section 10J of the Income Tax Act, a company which purchases its own shares using its contributed capital is not deemed to have paid a dividend to its shareholders from whom the shares are acquired.

Proceeds received by Shareholders who sell their Shares to the Company for which the purchases were made out of contributed capital will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

10. IMPLICATIONS OF TAKE-OVER CODE

(a) Obligation to Make a Take-over Offer

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 ("TOC Appendix 2") of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:-

(i) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or

(ii) if they together hold between 30% and 50% of the Company's voting rights, their voting rights increase by more than 1% in any period of six (6) months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

LETTER TO SHAREHOLDERS

(b) Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% or more of the equity share capital of a company will be regarded as the test of associated company status.

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

As at the Latest Practicable Date, Kim Teck Leong Pte. Ltd., the controlling Shareholder of the Company, together with persons acting in concert with it, comprising Cheong Gim Kheng, Tan Kheng Kuan and Tan Suan Suan, who are shareholders of Kim Teck Leong Pte. Ltd., and Cheong Hooi Kheng who is the sister of Cheong Gim Kheng, collectively held 57.91% of the voting rights of the Company. They would not be obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of any purchase of Shares by the Company under the Share Purchase Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

11. REPORTING REQUIREMENTS

Within 30 days of the passing of the Shareholders' resolution to renew the Share Purchase Mandate, the Directors shall lodge a copy of such resolution with the Registrar of Companies (the "Registrar").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

12. SHARE PURCHASES IN THE PREVIOUS 12 MONTHS

3,034,000 Shares had been purchased by the Company in the 12 months preceding the Latest Practicable Date by way of Market Purchases at prices per Share ranging from $0.3325 to $0.37, and the total consideration paid for the purchases (including brokerage and other charges) amounted to approximately $1,034,673.

LETTER TO SHAREHOLDERS

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders in the share capital of the Company as at the Latest Practicable Date are, as follows:-

	Direct Interest		Deemed Interest	
	Number of Shares	%(3)	Number of Shares	%(3)
Directors				
Tan Tock Han(1)	-	-	91,109,000	57.31
Tan Kheng Yeow(2)	-	-	88,000,000	55.36
Mark Gareth Joseph Beretta	240,000	0.15	-	-
Cheong Hooi Kheng	100,000	0.06	-	-
Substantial Shareholders (other than Directors)				
Kim Teck Leong Pte. Ltd.(1), (2)	88,000,000	55.36	-	-

Notes:

(1) Mr Tan Tock Han is deemed to have an interest in the 88,000,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act and the 3,109,000 shares held by his wife, Cheong Gim Kheng, by virtue of Section 164(15) of the Companies Act.

(2) Mr Tan Kheng Yeow is deemed to have an interest in the 88,000,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act.

(3) The percentages of issued share capital are calculated based on 158,966,000 issued Shares (excluding treasury shares) in the capital of the Company as at the Latest Practicable Date.

14. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale for the renewal of the Share Purchase Mandate set out in this Letter, the Directors believe that the renewal of the Share Purchase Mandate is in the best interest of the Company. The Board of Directors recommend that Shareholders vote in favour of Resolution 10, being the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the forthcoming 2010 AGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

This Letter has been seen and approved by all Directors who collectively and individually accept responsibility for this Letter and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Letter are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Letter misleading.

LETTER TO SHAREHOLDERS

16. DISCLAIMER

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 71 Tuas Bay Drive, Singapore 637430 during normal business hours from the date of this Letter up to the date of the 2010 AGM:

(a) the Annual Report of the Company for the financial year ended 30 June 2010; and

(b) the Memorandum and Articles of Association of the Company.

Yours faithfully

For and on behalf of the Board of Directors of
KTL GLOBAL LIMITED

Tan Tock Han
Executive Chairman

KTL GLOBAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200704519M)

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore not valid for use by such CPF investors, and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____ (Name)

of ____ (Address)

being a member/members of KTL GLOBAL LIMITED (the "Company") hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at 71 Tuas Bay Drive, Singapore 637430 on Friday, 22 October 2010 at 10.00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Directors' Report and Audited Accounts for financial year ended 30 June 2010, together with Auditors' Report thereon		
2.	Re-election of Mr Tan Kheng Yeow as a Director		
3.	Re-election of Mdm Cheong Hooi Kheng as a Director		
4.	Re-election of Mr Wong Fook Choy Sunny as a Director		
5.	Payment of Directors' fees of S$280,000		
6.	Re-appointment of Ernst & Young LLP as Auditors		
	Special Business		
7.	General authority to allot and issue new shares		
8.	Authority to issue shares other than on a pro-rata basis at a discount exceeding 10% but not more than 20%		
9.	Authority to issue shares pursuant to the KTL Performance Share Scheme		
10.	Share purchase mandate		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolution as set out in the Notice of the Meeting.)

Dated this __________ day of ________________ 2010

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named, or at the Company's option, to treat this proxy form as invalid.

4. This proxy form must be deposited at the registered office of the Company at 71 Tuas Bay Drive, Singapore 637430 not less than 48 hours before the time set for the Annual General Meeting.

5. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

7. The Company shall be entitled to reject a proxy form that is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.