KTL GLOBAL

PIONEERING
THE FUTURE OF LIFTING

ANNUAL REPORT **2016**

PIONEERING
THE FUTURE OF LIFTING

TABLE OF CONTENTS

02 Corporate Profile
04 Chairman's Message
06 Financial and Operations Review
08 Board of Directors
10 Executive Officers
11 **Financial Highlights**

Corporate Information 12
Corporate Governance Report 14
Directors' Statement 30
Independent Auditors' Report 32
Statements of Financial Position 34
Consolidated Statement of Profit or Loss and other Comprehensive Income 36
Consolidated Statement of Changes in Equity 37
Consolidated Statement of Cash Flows 41
Notes to the Financial Statements 43
Shareholding Statistics 112
Notice of Annual General Meeting 114
Letter to Shareholders 120
Proxy Form

CORPORATE PROFILE

KTL Global Limited ("KTL", and together with its subsidiaries, the "Group") is a leading solutions provider for heavy lift and rigging equipment and related services to the offshore oil & gas ("O&G"), marine and construction industries.

With a legacy of more than 100 years, the Group is one of the world's largest suppliers of premium steel wire ropes, synthetic ropes and subsea rigging equipment. It also provides testing, certification and maintenance services to the O&G market.

The Group has a diversified geographical presence that includes rigging facilities – the largest of their kind – in the Hamriyah Free Zone in the United Arab Emirates, Johor in Malaysia and South Korea. It has offices in China and Indonesia, as well as strategic partners in Mexico and Brazil.

VISION

We shall strive to maintain our position as one of the world's top suppliers to the O&G and related industries, for wire and synthetic rope, rigging and heavy lift products & services.

We shall enhance this position by delivering upon the following core principles of our business philosophy:

(1) Implementation of market expansion and penetration strategies which are focused and effective.

(2) Providing wire and synthetic rope and rigging products and services on a scale that cannot easily be matched by our competitors in terms of size, quantity and availability.

(3) Delivering the highest quality products and services and the most reputable brand names in the industry.

(4) Providing a total solutions concept for the most demanding problems faced by the market through innovation, commitment and professionalism.

(5) Developing our personnel through investment in training to become experts in their field.

Your Global Rope, Rigging and Mooring Partner

CHAIRMAN'S MESSAGE

"The Group has invested in upstream synthetic manufacturing capability to further increase the Groups' independence from raw material providers and to create added value to its product line."

Dear Shareholders,

The high level of market volatility in crude oil prices has fundamentally changed the global offshore oil and gas ("O&G") industry. Oil majors and national oil companies have cut spending as weaker prices have made their exploration and expansion plans less commercially viable. This in turn has affected many service providers in the O&G industry.

The year ahead is likely to remain challenging for KTL. However, an important breakthrough in the development of heavy lift synthetic slings was achieved with the award in FY2016 and successful completion in early FY2017 of twelve slings with a breaking load of around 5,000 metric tonnes. In addition, KTL has invested in upstream synthetic manufacturing capability to further increase our independence from raw material providers and to create added value in our own product line. This milestone project is expected to make a positive impact strategically and financially for the Group and strengthen our position as a leader in synthetic sling technology. This is a growing market which is expected to increase revenue and opportunities for the Group.

The Group has experienced a challenging FY2016 in financial terms. However, our cost cutting initiatives and significant reduction in inventories which were effected in FY2016, as well as the developments in our synthetic sling technology, should put us in a position to weather the adverse market conditions through FY2017.

APPRECIATION

I would like to thank my fellow Board members for their invaluable counsel and all management personnel and staff for helping to shape KTL. I would also like to express my gratitude to our loyal shareholders, and we look forward to your continued support and meeting you at the upcoming annual general meeting.

TAN TOCK HAN
Executive Chairman

FINANCIAL AND OPERATIONS REVIEW

"Scaling up the value chain by specialising in synthetic sling technology and continuing to improve on internal efficiencies"

THE YEAR IN REVIEW

The high level of market volatility in crude oil prices has dealt a huge blow to the O&G sector. Companies that provide support services to the sector have come under much pressure as oil majors slashed spending and scaled down expansion plans. The Group has not been spared in the financial year ended 30 June 2016 ("FY2016").

FINANCIAL HIGHLIGHTS

The Group's FY2016 revenue decreased 42.2% to S$42.0 million from S$72.6 million in the previous year, mainly due to the decrease in revenue generated across all segments. Gross profit margin for the year slipped to 16.9% from 27.0% as cost of sales increased due to allowance for inventory obsolescence and inventory write-off.

Other operating income for FY2016 increased 13.6% to S$1.9 million, mainly due to increase in rental and storage charges. Operating expenses, which comprise mainly administration expenses as well as sales and marketing costs, amounted to S$16.8 million a decreased of S$1.7 million as compared to S$18.5 million in FY2015. The decrease in administrative expenses and sales and marketing costs in FY2016 was mainly due to decrease in operating lease expenses, staff remuneration, traveling allowance, advertisement and entertainment expenses. Finance costs increased to S$1.6 million from S$1.1 million in FY2015 mainly due to increase in interest charges from bank borrowings and finance costs arising from interest-bearing loan and borrowings for the construction of property, plant and equipment and investment properties.

Net loss attributable to shareholders was due to decrease in revenue, higher other operating expenses, higher share of losses from joint venture companies and associates.

CASH FLOW

The Group saw a positive operating cash flow of S$15.7 million in the year under review. This was due to a decrease in stock purchases and a decline in trade receivables.

Net cash used in investing activities decreased to S$11.2 million from S$12.7 million the previous year. This was due to the purchase of plant and equipment, the progress payments for four commercial units in KL Trillion bought for investment purposes and investments in an associated company.

Net cash used in financing activities amounted to S$1.1 million, down from S$10.7 million generated in FY2015, driven by decrease in bank borrowings.

The Group ended the year with S$1.4 million in cash and cash equivalents.

BALANCE SHEET

The Group's net gearing increased to 1.1 times by the end of FY2016 from 0.7 times the previous year. Total equity came to S$30.2 million, compared to S$45.0 million for FY2015 mainly due to net loss attributable to the shareholders during the year.

BOARD OF DIRECTORS

TAN TOCK HAN
EXECUTIVE CHAIRMAN

Mr Tan is the Executive Chairman and founder of KTL Offshore when it was incorporated in 1973. He is involved in formulating the Group's strategic direction and expansion plans, and managing its overall business development. As one of the founders, he has played a pivotal role in the Group's growth and development. Mr Tan has more than 40 years of experience in the offshore, O&G and marine industries. He joined Kim Teck Leong (the sole proprietorship) in 1967 after completing his secondary education. In 1973, he took over the reins when KTL Offshore was incorporated and continued to expand the Group's business. Mr Tan is also Chairman of the social service committee of the Singapore Hokkien Huay Kuan, and a Council Member of the Singapore Chinese Chamber of Commerce and the Singapore Federation of Chinese Clan Associations.

WILSON TAN
CHIEF EXECUTIVE OFFICER

Mr Tan is the Chief Executive Officer and is responsible for executing the Group's strategies and budgets in ways designed to ensure profitability. He oversees its day-to-day operations and administrative matters, including sales, marketing and business development in Singapore. Mr Tan has more than 15 years of experience in the offshore, O&G and marine industries. He began his career at KTL Offshore in 1997 and has since diversified the business from the marine industry to offshore O&G as well as helped develop strong relationships with customers. He graduated from Santa Monica College in the U.S. with a diploma in marketing in 1996.

MARK BERETTA
CHIEF OPERATING OFFICER

Mr Beretta is our Chief Operating Officer and is responsible for overseeing strategic marketing and business development, as well as growing the offshore O&G business. He oversees the sales and marketing team to develop the existing clientele base and reach out to new regional markets. Mr Beretta has more than 20 years of experience in the wire rope and rigging industry, with more than 10 years in the offshore O&G industry. He began his career in 1987 as a trainee metallurgist at Haggie Rand Ltd in South Africa, where he held various positions as process/project metallurgist (1990), project manager (1994), business manager (1995) and technical sales and services manager (1999). He joined KTL Offshore in 1999 as Marketing Director and was later promoted to Business Development Director. In July 2007, he was promoted to Sales and Marketing Director and was appointed as Chief Operating Officer in October 2010. Mr Beretta obtained his national higher diploma in metallurgical engineering from Technikon Witwatersrand (Polytech) in South Africa in 1991 and a Master of Business Administration from Herriot-Watt University in the U.K. in 2001.

KENNY LIM
LEAD INDEPENDENT DIRECTOR

Mr Lim was appointed to the Board as Lead Independent Director on 31 October 2007. He is the Founder and a Director of Asia Pacific Business Consultants Pte. Ltd. (APB Consultants), which provides corporate and individual tax consultancy and advisory services. Mr Lim also sits as Independent Director on the boards of a number of companies listed on the Singapore Exchange and has over 25 years of experience in the tax, financial services and investment banking industries. Mr Lim holds a Bachelor of Accountancy and a Master of Business Administration from the National University of Singapore. He is a fellow member of the Institute of Singapore Chartered Accountants and a full member of the Singapore Institute of Directors.

SUNNY WONG
INDEPENDENT DIRECTOR

Mr Wong was appointed to the Board as Independent Director on 16 March 2010 and currently serves as Chairman of its nominating and remuneration committees, and sits on the Group's audit committee. He is also an Independent Director of China Medical (International) Group Limited, Excelpoint Technology Ltd, Mencast Holdings Ltd and InnoTek Limited. A practising advocate and solicitor of the Supreme Court of Singapore, he is the Managing Director of Wong Tan & Molly Lim LLC. Mr Wong graduated from the National University of Singapore with a Bachelor of Law (Honours).

CHEONG HOOI KHENG
NON-EXECUTIVE DIRECTOR

Mdm Cheong was appointed to the Board as Non-Executive Director on 31 October 2007. Since March 1989, she has been an Executive Director of Singapore Exchange-listed Hong Fok Corporation Limited, an investment holding company with businesses in property development. Mdm Cheong has more than 25 years of experience in the real estate industry. She obtained a Bachelor of Science from California State University, Hayward, U.S., and a Master of Business Administration from Chaminade University, U.S.

EXECUTIVE OFFICERS

NG KOK PENG
CHIEF FINANCIAL OFFICER

Mr Ng was appointed Chief Financial Officer in March 2015 and oversees all financial accounting and reporting matters as well as corporate finance. Prior to joining the Group, he was Chief Financial Officer of Ley Choon Group Holdings Limited from November 2014 to February 2015 and Financial Controller of Oxley Holdings Limited from May 2010 to August 2014. He has more than 10 years of combined experience in audit, finance and accounting. Mr Ng is a member of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants (U.K.). He holds a Bachelor of Science (Honours) in Applied Accounting from Oxford Brookes University.

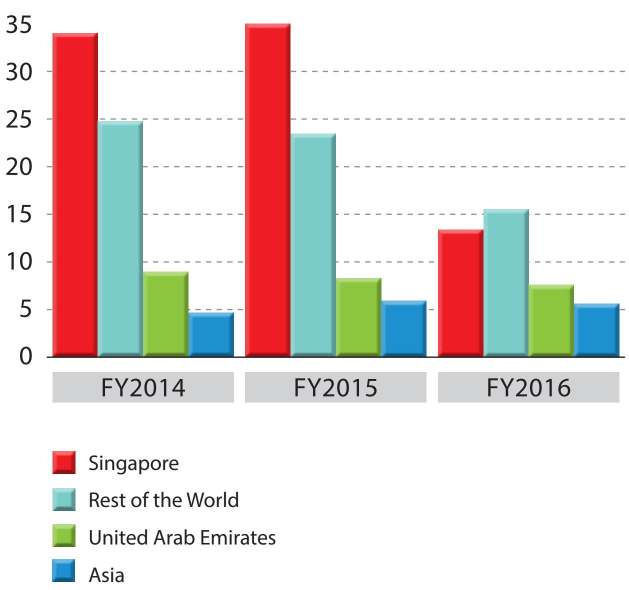
JONATHAN TAN
DIRECTOR OF ADMINISTRATION

Mr Tan is the Director of Administration and his responsibilities include overseeing the administration, IT and HR departments. He also assists the Chief Executive Officer in managing the Group's day-to-day operations. He joined KTL Offshore in 2003 after obtaining a Graduate Diploma in Finance Management from the Singapore Institute of Management. He earned a Bachelor of Business (with a double major in Marketing and Economics) from Edith Cowan University in Australia in 2001.

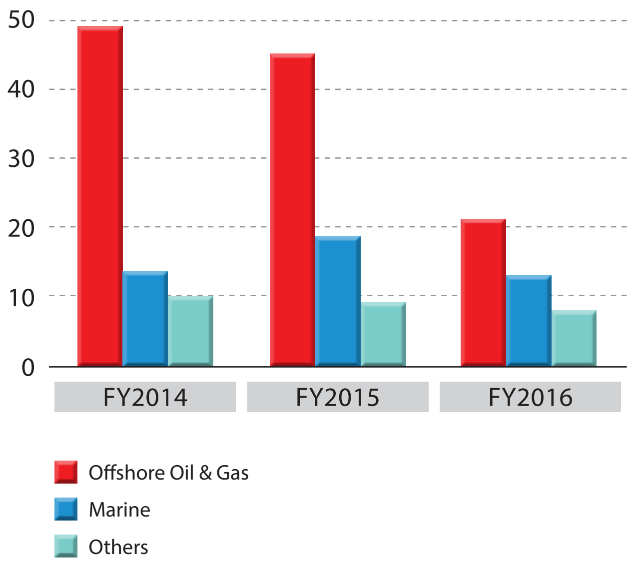
FINANCIAL HIGHLIGHTS

	FY2014	FY2015	FY2016
KEY FINANCIAL RATIOS			
Earnings Per Share (S¢)	0.94	0.69	(5.97)
Net Asset Value Per Share (S¢)	20.0	19.3	12.5
INCOME STATEMENT (S$ MILLION)			
Revenue	72.5	72.6	42.0
Gross profit	25.7	19.6	7.1
Net attributable profit	2.1	1.6	(14.3)
BALANCE SHEET (S$ MILLION)			
Non-current assets	25.8	32.8	39.7
Current assets	60.0	66.4	39.2
Non-current liabilities	4.1	11.4	9.8
Current liabilities	36.8	42.9	38.9
Shareholders' equity attributable to owners of the Company	44.9	45.0	30.2

REVENUE BY GEOGRAPHY (S$ million)



REVENUE BY SEGMENT (S$ million)



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN TOCK HAN *Executive Chairman*

TAN KHENG YEOW (WILSON TAN) *Chief Executive Officer*

MARK GARETH JOSEPH BERETTA (MARK BERETTA) *Chief Operating Officer*

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*

EXECUTIVE OFFICERS

NG KOK PENG *Chief Financial Officer*

TAN KHENG KUAN (JONATHAN TAN)
Director of Administration

AUDIT COMMITTEE

KENNY LIM *(Chairman)*

CHEONG HOOI KHENG

SUNNY WONG

REMUNERATION COMMITTEE

SUNNY WONG *(Chairman)*

CHEONG HOOI KHENG

KENNY LIM

NOMINATING COMMITTEE

SUNNY WONG *(Chairman)*

CHEONG HOOI KHENG

KENNY LIM

COMPANY SECRETARIES

NG KOK PENG

VINCENT LIM BOCK HUI

REGISTERED OFFICE

71 Tuas Bay Drive
Singapore 637430
Telephone : (65) 6543 8888
Facsimile : (65) 6545 2323
Website : www.ktlgroup.com

SHARE REGISTRAR

Tricor Barbinder
Share Registration Services
(A division of Tricor
Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Partner-in-charge: Goh Sia
(since financial year ended
30 June 2016)

PRINCIPAL BANKERS

United Overseas Bank Limited

DBS Bank Ltd

CIMB Bank Berhad (Singapore Branch)

FINANCIAL CONTENTS

Corporate Governance Report	14
Directors' Statement	30
Independent Auditors' Report	32
Statements of Financial Position	34
Consolidated Statement of Profit or Loss and other Comprehensive Income	36
Consolidated Statement of Changes in Equity	37
Consolidated Statement of Cash Flows	41
Notes to the Financial Statements	43
Shareholding Statistics	112
Notice of Annual General Meeting	114
Letter to Shareholders	120
Proxy Form	

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 2012 (the "**Code**") issued by the Ministry of Finance in May 2012.

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 2016 ("**FY2016**"), 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 long-term success of the company. The Board works with Management to achieve this objective and 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

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;
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation; and
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets.

CORPORATE GOVERNANCE REPORT

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

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 may request to visit the Group's operating facilities and meet with the Group's management (the "**Management**") to gain a better understanding of the Group's business operations and corporate governance practices. Newly appointed directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. All directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. The directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors update the directors on the new or revised financial reporting standards on an annual basis.

To assist in the execution of its responsibilities, the Board has established four Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**"), a Remuneration Committee (the "**RC**") and a Performance Share Scheme Committee (the "**PSSC**"). 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 FY2016 is set out below:

		Board Committees			
	Board	**AC**	**NC**	**RC**	**PSSC**
Number of meetings held	4	5	1	1	–
	Number of meetings attended				
Tan Tock Han	4	–	–	–	–
Wilson Tan	4	–	–	–	–
Mark Beretta	3	–	–	–	–
Cheong Hooi Kheng	3	4	1	1	–
Kenny Lim	4	5	1	1	–
Sunny Wong	4	5	1	1	–

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

CORPORATE GOVERNANCE REPORT

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 and substantial shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

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, its substantial shareholders 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.

The independence of each director is reviewed annually by the NC and the Board. Each independent director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board.

The Executive Chairman, Mr Tan Tock Han, and the Chief Executive Officer, Mr Wilson Tan, are immediate family members as well as part of the Management. 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 Group and the requirements of the Group's business. There is no individual or small group of individuals who dominate the Board's decision-making. The Board is therefore of the opinion that it is not necessary to have independent directors make up at least half of the Board.

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. This enables the Management to benefit from the external and expert perspectives of the directors who collectively possess the core competencies relevant to the direction and growth of the Group.

Where necessary or appropriate, the non-executive directors on the Board will meet without the presence of the Management. The non-executive directors communicate regularly to discuss matters related to the Group, including the performance of the Management.

The profiles of our directors are set out on pages 8 and 9 of this Annual Report.

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent 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 four 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 the facilitation of effective contribution from the non-executive directors; and
- effective communication with shareholders and compliance with corporate governance best practices.

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. Led by the lead independent director, the independent directors meet without the presence of the other directors, if deemed necessary.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of 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, any substantial shareholder of the Company.

CORPORATE GOVERNANCE REPORT

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

(1) Making recommendations to the Board on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman and for the CEO, the development of a process for evaluation of the performance of the Board, its Board committees and directors, and the review of training and professional development programmes for the Board.

(2) Making recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable), taking into consideration the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour).

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

(4) Determining annually, and as and when circumstances require, whether a director (including an alternate director) is independent, bearing in mind Paragraph 2.3 of the Code and any other salient factors.

(5) Deciding if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

(6) Assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual 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. When the need for a new director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills or to replace a retiring director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates.

Board appointments are made by the Board 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.

CORPORATE GOVERNANCE REPORT

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 (in last three years)
Tan Tock Han	Executive Chairman	19 March 2007	20 October 2015	–	Hong Fok Corporation Limited
Wilson Tan	Chief Executive Officer	19 March 2007	21 October 2013	–	–
Mark Beretta	Executive Director	31 October 2007	20 October 2014	–	–
Cheong Hooi Kheng	Non-Executive Director	31 October 2007	20 October 2015	Hong Fok Corporation Limited	Winfoong Investment Limited
Kenny Lim	Lead Independent Director	31 October 2007	20 October 2014	Advanced Integrated Manufacturing Corp. Ltd. Eratat Lifestyle Limited China Minzhong Food Corporation Limited KSH Holdings Limited Oxley Holdings Limited	Great Group Holdings Limited
Sunny Wong	Independent Director	16 March 2010	21 October 2013	China Medical (International) Group Limited Excelpoint Technology Ltd. Mencast Holdings Ltd. Civmec Limited InnoTek Limited	–

According to Article 104 of the Company's Articles of Association, Mr Wilson Tan and Mr Sunny Wong, will retire at the Company's forthcoming annual general meeting and will be eligible for re-election.

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention has been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. The Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold. None of the directors hold more than six directorships in listed companies concurrently.

Key information regarding the directors, including their shareholdings in the Company, is set out on pages 8, 9 and 30 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

CORPORATE GOVERNANCE REPORT

5. BOARD PERFORMANCE

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

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance 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 the Board committees, and for assessing the contribution of the Chairman and each individual director to the effectiveness of the Board. The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

In carrying out its assessment of the Board's effectiveness, the NC simultaneously considers the contribution of each individual director to the effectiveness of the Board. In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee.

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, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are from time to time furnished with detailed information concerning the Group to support their decision-making process. Upon request, the Management will provide any additional information needed for the directors to make informed decisions.

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.

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, Chapter 50 of Singapore, and the SGX-ST Listing Manual. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

7. REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and 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 RC, 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) Reviewing and recommending for endorsement by the entire Board a general framework of remuneration for the directors and key management personnel.

(2) Reviewing and recommending for endorsement by the entire Board the specific remuneration packages for each director as well as for the key management personnel that covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

(3) If necessary, seeking expert advice inside and/or outside the Company on remuneration of all directors, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

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

(5) Reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

(6) Reviewing whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes, and evaluate the costs and benefits of long-term incentive schemes.

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.

CORPORATE GOVERNANCE REPORT

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the executive directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

The independent directors and non-executive director 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 has entered into fixed-term service agreements with the executive directors, namely Mr Tan Tock Han, Mr Wilson Tan and Mr Mark Beretta. 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.

The Company recognises the importance of motivating each employee and in this regard, the KTL Performance Share Scheme (the "**Scheme**") was approved at the extraordinary general meeting ("**EGM**") on 23 October 2009. Details on the Scheme are set out in the circular to shareholders dated 7 October 2009 issued by the Company. The Scheme is administered by the PSSC, comprising Mr Tan Tock Han, Mr Kenny Lim, Mdm Cheong Hooi Kheng and Mr Sunny Wong.

9. DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

The Board is of the view that full disclosure of the specific remuneration of each individual director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

CORPORATE GOVERNANCE REPORT

The level and mix of remuneration paid or payable to the directors and executive officers for FY2016 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]	67.2	22.4	–	10.4	100.0
Wilson Tan[2]	58.3	19.6	–	22.1	100.0
Mark Beretta	59.6	20.0	–	20.4	100.0
$250,000 to less than $500,000					
–	–	–	–	–	–
Less than $250,000					
Cheong Hooi Kheng	–	–	100.0	–	100.0
Kenny Lim	–	–	100.0	–	100.0
Sunny Wong	–	–	100.0	–	100.0
Key Management Personnel					
$350,000 to less than $400,000					
Tan Kheng Kuan[2]	47.8	12.3	–	39.9	100.0
$150,000 to less than $200,000					
Tan Suan Suan[2]	85.2	7.7	–	7.1	100.0
Lim Kor Hin[2]	79.3	20.7	–	–	100.0
Ng Kok Peng	87.6	5.9	–	6.5	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 Lim Kor Hin is the wife of Mr Tan Kheng Kuan.

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 and whose remuneration exceeded S$50,000 during FY2016.

The aggregate remuneration paid to the top four key management personnel of the Group in FY2016 amounted to S$917,390.

CORPORATE GOVERNANCE REPORT

The Company had adopted the KTL Performance Share Scheme (the "**Scheme**") on 23 October 2009. The Scheme is administered by the PSSC, comprising Mr Tan Tock Han, Mr Kenny Lim, Mdm Cheong Hooi Kheng and Mr Sunny Wong. 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 (excluding treasury shares) of the Company 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.

During FY2016, 403,729 shares (which vest immediately upon grant) were awarded under the Scheme. As at the end of FY2016, awards have been granted under the Scheme as follows:–

Name of participant	Number of shares comprised in awards during FY2016 (including terms)	Aggregate number of shares comprised in awards from commencement of Scheme to end of FY2016	Number of shares comprised in awards which have been issued and/or transferred since commencement of Scheme to end of FY2016	Number of shares comprised in awards not vested as at end of FY2016
Director				
Mark Beretta	403,729 (vesting immediately upon grant)	2,832,903	2,832,903	–

As at the end of FY2016, no awards of shares have been granted under the Scheme to controlling shareholders or their associates and no participants have received shares which in aggregate represent 5% or more of the total number of shares available under the Scheme.

10. ACCOUNTABILITY

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

The Board understands its accountability to the shareholders on the Group's performance, financial position and prospects. The objectives of the presentation of the annual financial statements and quarterly announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and position, and prospects. In line with the rules of the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

11. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The external and internal auditors conduct annual reviews of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the CEO and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the CEO and Chief Financial Officer referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls of the Group, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate as at 30 June 2016.

12. AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") 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. No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC. 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.

CORPORATE GOVERNANCE REPORT

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 external and internal auditors' review and evaluation of the Group's 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, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval.

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

(4) Reviewing and discussing with external and internal auditors (if any), 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) Reviewing the co-operation given by the Management to the external auditors.

(6) Reviewing the independence of the external auditors annually.

(7) Making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

(8) Ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually.

(9) Reviewing and/or ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual.

(10) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management.

(11) Reviewing the procedures by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

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 external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

The fees paid by the Company to the external auditors in FY2016 for audit and non-audit services amounted to $79,000 and $Nil, respectively. 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 Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. Contact details of the AC have been made available to all employees.

13. INTERNAL AUDIT

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

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. 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 AC approves the appointment of the internal auditors. The internal auditors report directly to the chairman of the AC and has full access to the Company's documents, records, properties and personnel.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied with the adequacy and effectiveness of the Company's internal audit function.

14. SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

CORPORATE GOVERNANCE REPORT

Shareholders are informed of general meetings through notices published in the newspapers and through reports or circulars sent to all shareholders. The Company encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

15. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective 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.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

16. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

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. The Company will put all resolutions to vote by poll and announce the detailed results after the conclusion of the AGM.

CORPORATE GOVERNANCE REPORT

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.

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.

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.

During FY2016, 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 FY2016 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The directors present their statement to the members together with the audited financial statements of KTL Global Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 30 June 2016 and the statement of financial position as at 30 June 2016 and the statement of changes in equity of the Company for the financial year ended 30 June 2016.

In the opinion of the directors,

(a) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 34 to 111 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) 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.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		**Deemed interests**	
	At 1 July 2015	**At 30 June 2016**	**At 1 July 2015**	**At 30 June 2016**
Company				
Ordinary shares				
Tan Tock Han	12,661,600	**18,439,400**	132,713,000	**123,200,000**
Tan Kheng Yeow	228,200	**228,200**	123,200,000	**123,200,000**
Mark Gareth Joseph Beretta	2,669,174	**3,072,903**	–	**–**
Cheong Hooi Kheng	140,000	**140,000**	–	**–**

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Direct interests		Deemed interests	
	At 1 July 2015	**At 30 June 2016**	**At 1 July 2015**	**At 30 June 2016**
Holding Company – Kim Teck Leong Pte. Ltd.				
Ordinary shares				
Tan Tock Han	30	–	–	–
Tan Kheng Yeow	20	25	–	–
Tan Tock Han / Tan Kheng Yeow	–	25	–	–
Tan Tock Han / Tan Kheng Kuan	–	10	–	–

There was no change in any of the above-mentioned interest in the Company and its related corporation between the end of the financial year and 21 July 2016.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Except as disclosed in the financial statements, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

The audit committee carried out its functions in accordance with Section 201B (5) of the Act. The functions performed are detailed in the Corporate Governance Report.

INDEPENDENT AUDITORS

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

TAN TOCK HAN
Director

TAN KHENG YEOW
Director

30 September 2016

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 111, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for 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 that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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 about 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 of the financial statements that give a true and fair view 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED (CONTINUED)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the 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 financial position of the Group and of the Company as at 30 June 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Other Matter

The financial statements for the year ended 30 June 2015 were audited by another auditor whose report dated 21 September 2015 expressed an unqualified opinion on those financial statements.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

30 September 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016
(Amounts in Singapore dollars)

	Note	Group			Company		
		30 June 2016 $'000	30 June 2015 $'000 (Restated) (Note 34)	1 July 2014 $'000 (Restated) (Note 34)	30 June 2016 $'000	30 June 2015 $'000 (Restated) (Note 34)	1 July 2014 $'000 (Restated) (Note 34)
ASSETS							
Non-current assets							
Property, plant and equipment	3	**27,062**	23,018	19,227	**–**	–	–
Prepaid land lease	4	**3,359**	3,755	2,427	**–**	–	–
Investment properties	5	**2,122**	2,200	1,377	**–**	–	–
Subsidiaries	6	**–**	–	–	**13,161**	13,161	13,161
Associates	7	**5,479**	–	–	**5,848**	–	–
Joint ventures	8	**730**	1,647	363	**–**	7	7
Due from a subsidiary	9	**–**	–	–	**741**	741	–
Other receivables, deposits and prepayments	11	**170**	2,135	2,419	**–**	–	–
Deferred tax assets	18	**811**	36	–	**–**	–	–
		39,733	32,791	25,813	**19,750**	13,909	13,168
Current assets							
Inventories	12	**25,536**	33,626	29,302	**–**	–	–
Trade receivables	13	**8,532**	25,716	27,261	**–**	–	–
Other receivables, deposits and prepayments	11	**1,149**	1,642	1,175	**–**	36	–
Due from subsidiaries	10	**–**	–	–	**12,997**	18,642	20,496
Due from associate and joint venture companies	10	**2,299**	2,742	180	**1,774**	1,639	180
Cash and bank balances	14	**1,713**	2,692	2,033	**44**	133	94
		39,229	66,418	59,951	**14,815**	20,450	20,770
TOTAL ASSETS		**78,962**	99,209	85,764	**34,565**	34,359	33,938

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016
(Amounts in Singapore dollars)

	Note	Group			Company		
		30 June 2016 $'000	30 June 2015 $'000 (Restated) (Note 34)	1 July 2014 $'000 (Restated) (Note 34)	30 June 2016 $'000	30 June 2015 $'000 (Restated) (Note 34)	1 July 2014 $'000 (Restated) (Note 34)
LIABILITIES							
Current liabilities							
Trade payables		**8,435**	11,522	12,567	**–**	–	–
Bills payables	15	**–**	6,745	12,310	**–**	–	–
Other payables and accruals	16	**3,559**	3,451	6,715	**287**	873	1,641
Due to a related party	10	**4**	–	–	**4**	–	–
Due to an associate	10	**300**	–	–	**–**	–	–
Interest-bearing loans and borrowings	17	**26,591**	20,995	4,422	**–**	–	–
Income tax payable		**48**	176	765	**10**	15	19
		38,937	42,889	36,779	**301**	888	1,660
Non-current liabilities							
Other payables	16	**1,805**	1,780	114	**–**	–	–
Due to an associate	9	**77**	79	–	**–**	–	–
Interest-bearing loans and borrowings	17	**7,851**	8,433	2,856	**–**	–	–
Deferred tax liabilities	18	**97**	1,069	1,145	**–**	–	–
		9,830	11,361	4,115	**–**	–	–
TOTAL LIABILITIES		**48,767**	54,250	40,894	**301**	888	1,660
NET ASSETS		**30,195**	44,959	44,870	**34,264**	33,471	32,278
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	19	**34,836**	34,203	33,269	**34,836**	34,203	33,269
Treasury shares	20	**(274)**	(113)	(646)	**(274)**	(113)	(646)
Reserves	21	**(4,374)**	10,781	12,198	**(298)**	(619)	(345)
		30,188	44,871	44,821	**34,264**	33,471	32,278
Non-controlling interests		**7**	88	49	**–**	–	–
TOTAL EQUITY		**30,195**	44,959	44,870	**34,264**	33,471	32,278

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

	Note	2016 $'000	2015 $'000 (Restated) (Note 34)
Revenue	22	**41,961**	72,591
Cost of sales		**(34,872)**	(52,990)
Gross profit		**7,089**	19,601
Other operating income	23	**1,893**	1,666
Administrative expenses		**(13,470)**	(14,164)
Sales and marketing expenses		**(3,348)**	(4,353)
Other operating expenses	23	**(4,908)**	–
Share of results of joint venture companies		**(910)**	(68)
Share of results of associates		**(669)**	–*
Finance costs	25	**(1,604)**	(1,143)
(Loss)/profit before tax	26	**(15,927)**	1,539
Income tax credit	27	**1,674**	55
(Loss)/profit for the year		**(14,253)**	1,594
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences arising from consolidation		**(925)**	(1,396)
Other comprehensive loss, net of tax		**(925)**	(1,396)
Total comprehensive (loss)/income for the year		**(15,178)**	198
Loss/(profit) attributable to:			
Equity holders of the Company		**(14,172)**	1,555
Non-controlling interests		**(81)**	39
		(14,253)	1,594
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(15,097)**	159
Non-controlling interests		**(81)**	39
		(15,178)	198
(Loss)/Earnings per share (cents)	28		
Basic		**(5.97)**	0.69
Diluted		**(5.97)**	0.69

* Denotes amount less than $1,000.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

2016 Group	Attributable to equity holders of the Company										
	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Merger reserve $'000	Employee equity benefit reserve $'000	Translation reserve $'000	Statutory reserve fund $'000	Accumulated profits/ (losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2015, as restated	34,203	(113)	(480)	–	50	(1,613)	15	12,809	44,871	88	44,959
Loss for the year	–	–	–	–	–	–	–	(14,172)	(14,172)	(81)	(14,253)
Other comprehensive loss, net of tax	–	–	–	–	–	(925)	–	–	(925)	–	(925)
Total comprehensive loss for the year	–	–	–	–	–	(925)	–	(14,172)	(15,097)	(81)	(15,178)
Contributions by and distributions to owners											
Issuance of new shares on acquisition of an associate (Note 7)	633	–	–	–	–	–	–	–	633	–	633
Repurchase of treasury shares (Note 20)	–	(219)	–	–	–	–	–	–	(219)	–	(219)
Reissued pursuant to KTL Performance Share Scheme (Note 20)	–	50	–	–	(50)	–	–	–	–	–	–
Loss on reissuance of treasury shares	–	8	(8)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	633	(161)	(8)	–	(50)	–	–	–	414	–	414
Balance at 30 June 2016	34,836	(274)	(488)	–	–	(2,538)	15	(1,363)	30,188	7	30,195

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

2015 Group	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Merger reserve $'000	Employee equity benefit reserve $'000	Translation reserve $'000	Statutory reserve fund $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to equity holders of the Company										
Balance at 1 July 2014, as previously stated	33,269	(646)	(120)	(7,660)	260	(217)	15	20,667	45,568	49	45,617
Prior year adjustments (Note 34)	–	–	–	7,660	–	–	–	(8,407)	(747)	–	(747)
Balance at 1 July 2014, as restated	33,269	(646)	(120)	–	260	(217)	15	12,260	44,821	49	44,870
Profit for the year	–	–	–	–	–	–	–	1,555	1,555	39	1,594
Other comprehensive loss, net of tax	–	–	–	–	–	(1,396)	–	–	(1,396)	–	(1,396)
Total comprehensive income for the year	–	–	–	–	–	(1,396)	–	1,555	159	39	198

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

2015 Group	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Merger reserve $'000	Employee equity benefit reserve $'000	Translation reserve $'000	Statutory reserve fund $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to equity holders of the Company										
Contributions by and distributions to owners											
Issuance of new shares pursuant to a subscription agreement	934	–	–	–	–	–	–	–	934	–	934
Repurchase of treasury shares (Note 20)	–	(87)	–	–	–	–	–	–	(87)	–	(87)
Reissued pursuant to KTL Performance Share Scheme (Note 20)	–	260	–	–	(260)	–	–	–	–	–	–
Loss on reissuance of treasury shares	–	360	(360)	–	–	–	–	–	–	–	–
Employee equity benefit expense	–	–	–	–	50	–	–	–	50	–	50
Dividends paid	–	–	–	–	–	–	–	(1,006)	(1,006)	–	(1,006)
Total contributions by and distributions to owners	934	533	(360)	–	(210)	–	–	(1,006)	(109)	–	(109)
Balance at 30 June 2015, as restated	34,203	(113)	(480)	–	50	(1,613)	15	12,809	44,871	88	44,959

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

Company	Share capital $'000	Treasury shares $'000	Treasury shares reserve $'000	Employee equity benefit reserve $'000	Accumulated losses $'000	Total reserve $'000	Total equity $'000
Balance at 1 July 2015, as restated	34,203	(113)	(480)	50	(189)	(619)	33,471
Profit for the year	–	–	–	–	379	379	379
Total comprehensive income for the year	–	–	–	–	379	379	379
Contributions by and distributions to owners							
Issuance of new shares on acquisition of an associate (Note 7)	633	–	–	–	–	–	633
Repurchase of treasury shares (Note 20)	–	(219)	–	–	–	–	(219)
Reissued pursuant to KTL Performance Share Scheme (Note 20)	–	50	–	(50)	–	(50)	–
Loss on reissuance of treasury shares	–	8	(8)	–	–	(8)	–
Total contributions by and distributions to owners	633	(161)	(8)	(50)	–	(58)	414
Balance at 30 June 2016	34,836	(274)	(488)	–	190	(298)	34,264
Balance at 1 July 2014	33,269	(646)	(120)	260	(307)	(167)	32,456
Prior year adjustments (Note 34)	–	–	–	–	(178)	(178)	(178)
	33,269	(646)	(120)	260	(485)	(345)	32,278
Profit for the year	–	–	–	–	1,302	1,302	1,302
Total comprehensive income for the year	–	–	–	–	1,302	1,302	1,302
Contributions by and distributions to owners							
Issuance of new shares pursuant to a subscription agreement	934	–	–	–	–	–	934
Repurchase of treasury shares (Note 20)	–	(87)	–	–	–	–	(87)
Reissued pursuant to KTL Performance Share Scheme (Note 20)	–	260	–	(260)	–	(260)	–
Loss on reissuance of treasury shares	–	360	(360)	–	–	(360)	–
Employee equity benefit expense	–	–	–	50	–	50	50
Dividend paid	–	–	–	–	(1,006)	(1,006)	(1,006)
Total contributions by and distributions to owners	934	533	(360)	(210)	(1,006)	(1,576)	(109)
Balance at 30 June 2015	34,203	(113)	(480)	50	(189)	(619)	33,471

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

	Note	2016 $'000	2015 $'000 (Restated)
Cash flows from operating activities			
(Loss)/Profit before tax		**(15,927)**	1,539
Adjustments:			
Impairment loss on prepaid land lease	4	**45**	–
Impairment loss on investment properties	5	**67**	–
Impairment loss on investment in joint venture companies	8	**7**	–
Allowance for impairment on amounts due from joint venture companies	10	**1,195**	–
Depreciation of property, plant and equipment	3	**3,870**	3,040
Depreciation of investment properties	5	**7**	–
Amortisation of prepaid land lease	4	**126**	104
Allowance for inventory obsolescence	12	**103**	20
Inventories written off	12	**797**	–
Allowance for doubtful debts	32(iii)	**3,008**	–
Loss/(gain) on disposal of property, plant and equipment	23	**219**	(48)
Interest expense	25	**1,604**	1,143
Share of results of joint venture companies	8	**910**	68
Share of results of associates	7	**669**	– *
Employee equity benefit expense	24	**–**	50
Operating (loss)/profit before working capital changes		**(3,300)**	5,916
Inventories		**7,190**	(4,344)
Trade receivables		**14,176**	1,545
Other receivables, deposits and prepayments		**585**	236
Trade payables		**(3,087)**	(1,044)
Other payables and accruals		**284**	(1,825)
Due to a related party		**4**	–
Due to an associate		**–**	79
Cash generated from operations		**15,852**	563
Income tax paid		**(100)**	(645)
Withholding tax paid		**(100)**	–
Currency translation		**–**	(780)
Net cash from/(used) in operating activities		**15,652**	(862)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars)

	Note	2016 $'000	2015 $'000
Cash flows from investing activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	A	**(6,781)**	(6,648)
Increase in progress payments for purchase of property, plant and equipment		**–**	(419)
Proceeds from disposal of property, plant and equipment		**1,934**	813
Addition of investment properties		**(345)**	(707)
Addition of prepaid land lease		**–**	(1,806)
Acquisition of/additional investment in associate and joint venture		**(5,515)**	(1,352)
Advances to associate and joint venture companies		**(452)**	(2,563)
Net cash used in investing activities		**(11,159)**	(12,682)
Cash flows from financing activities			
Purchase of treasury shares	20	**(219)**	(87)
Proceeds from interest-bearing loans and borrowings		**25,288**	22,485
Repayments of interest-bearing loans and borrowings		**(25,600)**	(9,143)
Proceeds from issuance of new shares pursuant to subscription agreement		**–**	934
Dividends paid		**–**	(1,006)
Interest paid		**(1,604)**	(1,143)
Pledge of fixed deposits	14	**1,036**	(1,330)
Net cash (used in)/from financing activities		**(1,099)**	10,710
Net increase/(decrease) in cash and cash equivalents		**3,394**	(2,834)
Cash and cash equivalents at beginning of year		**(1,962)**	892
Effects of exchange rate changes in cash and cash equivalents		**(13)**	(20)
Cash and cash equivalents at end of year	14	**1,419**	(1,962)

Note A

	Note	2016 $'000	2015 $'000
Total additions to property, plant and equipment	3	**10,462**	7,707
Less: Amount paid in prior year as prepayment		**(1,776)**	–
Less: Amount financed through finance lease		**(1,905)**	(1,059)
Purchase of property, plant and equipment per consolidated statement of cash flows		**6,781**	6,648

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

KTL Global Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office and its principal place of business is at 71 Tuas Bay Drive, Singapore 637430.

The Company's immediate and ultimate holding company is Kim Teck Leong Pte. Ltd., incorporated in Singapore.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 6.

The financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group incurred a net loss of $14,253,000 (2015: net profit of $1,594,000) for the financial year ended 30 June 2016 and as of that date, the cash and cash equivalents and net current assets of the Group were $1,419,000 (2015: negative of $1,962,000) and $292,000 (2015: $23,529,000) respectively, mainly as a result of a classification of the entire amount of the long-term portion of a bank loan amounting to $21,387,000 as current liabilities ("Accounting Classification"). As further disclosed in Note 17, the Accounting Classification arose from a technical breach of financial covenants (relating to profitability and loan servicing ratio) stipulated by the loan facility agreement pertaining a loan with a carrying amount of $24,973,000 ("Loan 2") as at 30 June 2016. The Group was given a waiver by the bank until 30 November 2016 to comply with the said loan covenant.

Notwithstanding the above events and conditions, management is of the view that there is no *material* uncertainty arising therefrom that will cast a significant doubt on the going concern of the Group and of the Company in the foreseeable future. Accordingly, the accompanying financial statements have been prepared on a going concern basis. Management's view and position is premised on the following grounds:

(a) management is confident that the bank will continue extending this loan facility (Loan 2) to the Group. The Group is in the progress of negotiating with the bank to calibrate the terms of some of these loan covenants with a view to full compliance with these loan covenants and avoiding any inadvertent technical breaches in future;.

(b) the Group has not defaulted on its payments of interests or principal on Loan 2 and any other loans to date;

(c) the Group will generate adequate operating cash flows to service the loan interest and principal as and when they fall due in accordance with the original repayment schedule, in addition to meeting its normal working capital requirements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

(d) Loan 2 is jointly and severally guaranteed by two directors of the Company and a director of a subsidiary who are substantial shareholders of the Company. They have undertaken not to reduce their requisite equity stake in the Company to comply with the "No Change of Control" covenant (see Note 17(i));

(e) These directors-cum-substantial shareholders have also undertaken to provide continued financial support to enable the Group to meet its obligations as and when they fall due; and

(f) the financial position of the Group remains reasonably healthy with a net asset position of approximately $30,195,000 (2015: $44,959,000) as at 30 June 2016. The Group also registered a positive operating cash flows amounting to approximately $15,644,000 (2015: negative operating cash flows amounting to $862,000) for the financial year ended 30 June 2016.

In view of the above, no adjustment has been made to the financial statements to reflect the situation that assets may be realised other than in the normal course of business or at significantly different amount from that being currently recorded in the statements of financial position in the unlikely event that the Group and the Company cannot continue to operate on a going concern in the foreseeable future. In such circumstances, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Singapore dollars ("$") and all values are rounded to the nearest thousand ($'000) as indicated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

On 1 July 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Improvements to FRSs (November 2014)	
– Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
– Amendment to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– Amendment to FRS 19 *Employee Benefits*	1 January 2016
– Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers (including clarifications)*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for Amendments to FRS 1, FRS 27, FRS 7 and the new standards FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the above mentioned standards is described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Amendments to FRS 1 *Disclosure Initiative*

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the statement of financial position and statement of profit or loss and other comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in financial year 2017.

Amendments to FRS 27: *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in FRS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in financial year 2017.

Amendments to FRS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group will apply these amendments prospectively in financial year 2018.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective in 2019.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers* (Continued)

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

FRS 116 *Leases*

This new standard on leases supersedes the previous standard (FRS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, FRS 116 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. FRS 116 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of this standard. The Group will apply the new FRS 116 when it becomes effective in 2020, which may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(i) *Subsidiaries* (Continued)

(b) Acquisition of businesses (Continued)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) *Transactions with non-controlling interests*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(iii) *Associates*

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(iii) Associates (Continued)

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence are retained are recognised in profit or loss.

(iv) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share control over the economic activity of the entities with one or more parties. The Group recognises its interest in the joint venture using proportionate consolidation method. Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(iv) *Joint ventures* (Continued)

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) *Functional and presentation currency*

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the functional currency of the Company.

(ii) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") 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 reporting 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 reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (see the accounting policy for borrowing costs as set out in this Note). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold building	30 to 50
Plant and machinery	5 to 15
Motor vehicles	5 to 10
Furniture and fittings	5
Office equipment	5
Renovation	5
Computers	5

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within “Other income (expenses)”.

Prepaid land lease

Prepaid land lease are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 30 years.

Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The properties are continued to be depreciated over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

	Useful lives (Years)
Investment property	50

The 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 investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in statement of profit or loss and other comprehensive income in the year of retirement or disposal within "Other income (expenses)".

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 an 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 dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group has no financial assets at fair value through profit or loss, held-to-maturity investments, and available-for-sale financial assets.

(ii) Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including amounts due from related related parties.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. 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 had been recognised in other comprehensive income is recognised in profit or loss.

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the 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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Finished goods comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at reporting date, there was no financial liability at fair value through profit or loss.

(ii) Subsequent measurement

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(i) 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 this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Finance leases, which transfers 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 item 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 directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the 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.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting 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. Where 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

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

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share capital and treasury shares

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

When ordinary shares are reacquired ("treasury shares"), the amount of consideration paid including any directly attributable incremental costs is presented as a component within equity, until they are cancelled, sold or reissued. When treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company, if the shares are purchased out of earnings of the Company. When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the treasury shares reserve of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue and the associated costs 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, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. 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.

Rendering of services:

Revenue from inspection and certification of offshore rigging equipment services, is recognised over the period in which the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Dividend income is recognised when the Group's right to receive payment is established.

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

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

<u>Singapore</u>

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension schemes.

<u>Malaysia</u>

The Company makes contribution to the Employee Provident Fund (EPF) Scheme in Malaysia, a defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (Continued)

(i) Retirement benefits (Continued)

Indonesia

The Company makes contribution to the Jamsostek Scheme in Indonesia, a defined contribution pension schemes.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, on the date of grant. Non-market vesting conditions are included in the estimation of the number of options under options that are expected to become exercisable on vesting date. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of the original estimates, if any, in the profit or loss, and a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued, or to the treasury shares account when treasury shares are re-issued to the employees.

(iv) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Chief Executive Officer) responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount and further details of the key assumptions and the sensitivity analysis for the impairment assessment of subsidiaries, associates and joint ventures are disclosed in Notes 6 and 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade receivables and its related allowance for doubtful debts are disclosed in Notes 13 and 32(iii) to the financial statements.

If 10% of all past due not impaired trade receivable are not collected, the Group's allowance for impairment will increase by $575,900 (2015: $1,666,500).

(c) Income tax

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has unutilised capital allowances and tax losses totalling $441,000 and $4,901,000 (2015: nil and $150,000) respectively, out of which $441,000 and $130,000 (2015: nil and nil) respectively was not recognised as deferred tax assets due to uncertainty of recovery. The unutilised tax losses and allowances do not expire, and may not be used to offset taxable income elsewhere in the Group The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the further recognition of deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, loss for the year would decrease by $137,000 (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(c) Income tax (Continued)

Deferred tax assets amounted to $811,000 (2015: $36,000) as at 30 June 2016 (Note 18) was recognised on tax loss of a subsidiary in Singapore as management expects that there will be probable future taxable profits for which these tax losses can be utilised, based on the 5-years budget of this loss-making subsidiary. Any significant adverse change in the financial performance of this subsidiary in the next financial year is likely to reduce the amount of deferred tax assets recognised.

(d) Allowance for stock obsolescence

The management of the Group reviews the aging analysis of inventories at the end of each period, and makes allowance for stock items that are identified as obsolete and slow-moving. The management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. The carrying amount of inventories and the expenses recognised on the write-down is disclosed in Note 12 to the financial statements.

(e) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 30 June 2016 is disclosed in Note 3.

(ii) Critical judgements in applying the entity's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold building $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Cost								
As at 1 July 2014	6,577	19,942	1,763	1,519	380	1,887	1,197	33,265
Additions	1,170	5,132	1,059	18	80	211	37	7,707
Disposals/Write-offs	–	(681)	(713)	–	–	–	(1)	(1,395)
Exchange differences	(235)	158	4	7	1	20	7	(38)
As at 30 June 2015	7,512	24,551	2,113	1,544	461	2,118	1,240	39,539
As at 1 July 2015	7,512	24,551	2,113	1,544	461	2,118	1,240	39,539
Additions	161	10,107	37	–	7	85	65	10,462
Disposals	–	(3,464)	–	–	–	–	–	(3,464)
Exchange differences	(275)	(162)	–	(1)	(3)	(6)	–	(447)
As at 30 June 2016	7,398	31,032	2,150	1,543	465	2,197	1,305	46,090

Group	Leasehold building $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Accumulated depreciation								
As at 1 July 2014	199	9,257	640	1,447	361	1,362	772	14,038
Charge for the year	139	2,291	193	42	12	215	148	3,040
Disposals/Write-offs	–	(327)	(302)	–	–	–	(1)	(630)
Exchange differences	–	49	2	4	–	13	5	73
As at 30 June 2015	338	11,270	533	1,493	373	1,590	924	16,521
As at 1 July 2015	338	11,270	533	1,493	373	1,590	924	16,521
Charge for the year	201	3,049	207	26	22	220	145	3,870
Disposals	–	(1,311)	–	–	–	–	–	(1,311)
Exchange differences	(6)	(45)	3	(1)	–	(2)	(1)	(52)
As at 30 June 2016	533	12,963	743	1,518	395	1,808	1,068	19,028
Net carrying amount								
As at 30 June 2015	7,174	13,281	1,580	51	88	528	316	23,018
As at 30 June 2016	6,865	18,069	1,407	25	70	389	237	27,062

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases

During the financial year, the Group acquired plant and machinery and motor vehicles with an aggregate cost of $3,539,000 (2015: $1,059,000) by means of finance leases. The cost amounting to $1,905,000 (2015: $260,000) was funded by finance leases.

The carrying amount of motor vehicles and plant and machinery held under finance leases at the reporting date were $3,977,000 (2015: $2,360,000). Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold building with a carrying amount of $6,865,000 (2015: $7,174,000) are mortgaged to secure the Group's bank loans (Note 17).

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant. In prior year, the borrowing costs capitalised as cost of leasehold building amounting to $18,000. The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.1%, which is the effective interest rate of the specific borrowing. No borrowing costs were capitalised in current year as the construction of the building was completed in October 2014.

4. PREPAID LAND LEASE

	Group	
	2016	**2015**
	$'000	**$'000**
Cost		
At beginning of year	**3,974**	2,547
Additions	**–**	1,806
Exchange differences	**(240)**	(379)
At end of year	**3,734**	3,974
Accumulated amortisation and impairment loss		
At beginning of year	**219**	120
Amortisation for the year	**126**	116
Impairment loss	**45**	–
Exchange differences	**(15)**	(17)
At end of year	**375**	219
Net carrying amount	**3,359**	3,755

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

4. PREPAID LAND LEASE (CONTINUED)

	Group	
	2016	**2015**
	$'000	**$'000**
Amount to be amortised:		
– Not later than 1 year	**123**	132
– Later than 1 year and not later than 5 years	**490**	529
– Later than 5 years	**2,746**	3,094

The Group has made prepayments for land leases over two plots of land in Malaysia which is partially occupied by the Group's manufacturing and storage facilities reside. The leases are not transferrable and have a remaining tenure ranging from 27 and 28 years (2015: 28 and 29 years).

In prior year, the amortisation of prepaid lease amounting to $12,000 is capitalised as cost of the building (Note 3). No borrowing costs were capitalised in current year as the construction of the building was completed in October 2014.

During the year, management performed an impairment test for a plot of land which is currently vacant. The recoverable amount of the leasehold land is determined on fair value less cost to sell based on a valuation performed by an independent valuer. Consequently, an impairment loss of $45,000 is recognised during the year.

The entire prepaid land lease is mortgaged to secure the Group's bank loans (Note 17).

5. INVESTMENT PROPERTIES

	Group	
	2016	**2015**
	$'000	**$'000**
Cost		
At beginning of year	**2,200**	1,377
Additions	**131**	935
Exchange differences	**(135)**	(112)
At end of year	**2,196**	2,200
Accumulated depreciation and impairment loss		
At beginning of year	**–**	–
Depreciation for the year	**7**	–
Impairment loss	**67**	–
At end of year	**74**	–
Net carrying amount	**2,122**	2,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

5. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise of four freehold properties (office lots) in Kuala Lumpur, Malaysia. Valuation is performed by Jordan Lee & Jaafar Sdn. Bhd., an independent valuer with a recognised and relevant professional qualification. The valuation is based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market, adjusted for any difference in the nature, location or condition of the specific property. In estimating the fair value for disclosure, the level of fair value hierarchy is Level 2 (significant other observable inputs). Based on the valuation report dated 27 May 2016, fair value of the investment properties is at RM6,350,000 (approximately $2,122,000). As a result, an impairment loss of $67,000 is recognised in the profit or loss under "other operating expenses" during the current financial year.

The investment properties held by the Group as at 30 June 2015 were under construction for which the fair value could not be reliably measured then.

During the financial year, there are no rental income and direct operating expenses as the investment properties have not been leased out.

The entire investment properties are mortgaged to secure the Group's bank loans (Note 17).

6. SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Unquoted equity shares, at cost		
– KTL Offshore Pte. Ltd.	**13,160**	13,160
– KTL Investment Pte. Ltd.	**1**	1
	13,161	13,161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2016 %	2015 %
Held by the Company				
KTL Offshore Pte. Ltd.(i)	Trading of rigging equipment and related services	Singapore	100	100
KTL Investment Pte. Ltd.(i)	Investment holding	Singapore	100	100
Held through KTL Offshore Pte. Ltd.				
PT. KTL Offshore Indonesia(iii)	Inspection and certification of lifting equipment and certification of wire ropes	Indonesia	60	60
KTL Offshore (Middle East) FZC(ii)	Trading of rigging equipment and related services	United Arab Emirates	98	98
KTL Offshore (Malaysia) Sdn. Bhd.(ii)	Trading of rigging equipment and related services	Malaysia	100	100
KTL Offshore Services Pte. Ltd.(i)	Inspection and certification of lifting equipment and certification of wire ropes	Singapore	100	100
KTL Offshore Trading (Malaysia) Sdn. Bhd.(iv)(v)	Trading of rigging equipment	Malaysia	100	–
KTL Offshore Services (Malaysia) Sdn. Bhd. (iv)(v)	Provision of services to customers mainly in the offshore, oil and gas and marine industries	Malaysia	100	–
Held through KTL Investment Pte. Ltd.				
KTL Realty Holding Sdn Bhd(ii)	Property investment	Malaysia	100	100

(i) Audited by Crowe Horwath First Trust LLP, Singapore
(ii) Audited by network firms of Crowe Horwath International in the respective countries
(iii) Audited by Armandias Kantor Akuntan Publik Terdaftar, Indonesia
(iv) Not material to the Group and not required to be disclosed under SGX Listing Rule 717
(v) Newly incorporated during the year and has not commenced operation at present

The Group does not have subsidiary that has non-controlling interest that is material to the Group at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

6. SUBSIDIARIES (CONTINUED)

Impairment testing of investment in subsidiary

As at reporting date, management performed an impairment test for the investment in KTL Offshore Pte. Ltd. that recorded substantial losses during the year.

The recoverable amount of the cost of investment is determined on value-in-use calculations using cash flow projections approved by management covering a 5-year period. A terminal value, which is the present value of all future cash flows, assuming a long-term growth rate is also applied in the fifth year. Accordingly, no impairment loss is recognised as the recoverable amount exceeds the carrying value of the investment. The key estimated variables in the value-in-use calculation are as follows:

	2016
Pre-tax discount rate	**8.4%**
Long-term growth rate beyond 5-year	**1.4%**

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the subsidiaries, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the subsidiaries and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Industry-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Long-term growth rate – The forecasted growth rate is based on track records of the entity management experience in the past and do not exceed the long-term growth rate for the relevant industries.

Management has performed a sensitivity analysis of the pre-tax discount rate and long-term growth rate and concluded that no impairment charge is required as an increase in pre-tax discount rate up to 12.8% or using long-term declining growth rate of 5.2% per annum, would still result in the recoverable amount exceeding the carrying amount of the investment as at 30 June 2016.

7. ASSOCIATES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of the year	**–***	–*	**–**	–
Acquisition of an associate	**5,848**	–*	**5,848**	–
Additional capital injection	**300**	–	**–**	–
Share of post-acquisition reserves	**(669)**	–*	**–**	–
At end of the year	**5,479**	–*	**5,848**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

7. ASSOCIATES (CONTINUED)

	Group	
	2016	2015
	$'000	$'000
Representing:		
Goodwill	3,764	–
Share of net assets	1,715	–*
	5,479	–*

* Denotes amount less than $1,000.

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2016 %	2015 %
FW Coastal Ventures Pte. Ltd. ("FW Coastal")(i)	Engaging in service activities incidental to oil and gas extraction	Singapore	30	30
Dae Kwang Co., Ltd. ("Dae Kwang")(ii)	Engaged in manufacturing and supply of lifting and rigging hardware, steel wire rope, heavy lift slings, deep water mooring systems and emergency towing systems, deck machinery and winch systems	Republic of Korea	20	–
Held through FW Coastal				
Atlas Training Centre Sdn. Bhd. ("Atlas Training")(iii)	Providing training for offshore oil and gas, commercial maritime and energy resource industries	Malaysia	30	30
Axis Weld Sdn. Bhd. ("Axis Weld")(iii)	Providing welding training courses, welding test and qualifies welders for offshore oil and gas industry	Malaysia	30	30

(i) Audited by Heng Lee Seng LLP, Singapore
(ii) Audited by Seyoung Accounting & Consulting, Korea
(iii) Audited by JK David & Co, Malaysia

All of the above associates are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

7. ASSOCIATES (CONTINUED)

Acquisition of an associate

On 4 June 2015, the Company entered into a sale and purchase agreement ("SPA") to acquire 20% equity interest in Dae Kwang with a third party ("Vendor"). On 23 December 2015, with the fulfilment of all the conditions precedent, and the transfer of Dae Kwang's shares, the Company completed the acquisition of interest in Dae Kwang and accordingly, Dae Kwang became an associate of the Group, effective from that date.

The total purchase consideration amounting to $5,848,000, which is determined on a willing-buyer, willing-seller basis, is satisfied by way of:

(a) Considerations settled in cash ("Cash Consideration")

The Company made two cash payments amounting to approximately $426,000 and $4,789,000 respectively.

(b) Issuance of 9,450,000 fully paid-up ordinary shares ("Consideration Shares")

The fair value of the Consideration Shares amounted to $633,150 (Note 19).

Under the SPA,

(a) the Vendor agreed to grant the Company a right to purchase additional 20% equity interest in Dae Kwang at a purchase price mutually agreed by the Company and the Vendor, at any time during a period of three years commencing from the date of the SPA ("Call Option").

(b) after a period of 3 years after the completion of the SPA, the Company shall have a right to sell all or part of the shares in Dae Kwang back to the Vendor at a purchase price mutually agreed by the Company and the Vendor ("Put Option").

Management has assessed that the fair value of both Call Option and Put Option are zero at the date of acquisition and the reporting date because the transaction price is based on a fair price in the future as assessed by a qualified valuer should the parties be unable to agree on the purchase price.

Goodwill arising from acquisition

Goodwill of $3,763,570 comprises the value of strengthening the Group's market position in Korea, serve as a springboard to expand its business into the North Asian region, and cost reduction synergies expected to arise from the acquisition.

During the financial year, management performed an impairment review for the investment in Dae Kwang as the goodwill is included in the carrying amount of the investment. The recoverable amount of the cost of investment in Dae Kwang has been determined using value-in-use calculations based on a 5-year cash flow projection from financial budgets approved by management. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the 5-year period are 7.3% and 2% respectively. No impairment loss is recognised as the recoverable amount approximates the carrying amount of the investment.

If the pre-tax discount rate applied to the cash flow projection had been 1% higher than management's estimate (for example, 8.3%) at 30 June 2016, the Group would have recognised an impairment loss amounting to $282,000. If the forecasted growth rate used to extrapolate cash flow projections beyond the 5-year period had been 1% lower (for example, 1%) at 30 June 2016, the Group would have recognised an impairment loss amounting to $90,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

7. ASSOCIATES (CONTINUED)

Capital injection in an existing associate

During the year, FW Coastal increased its share capital from $1,000 to $1,000,000 for working capital purposes. On 29 February 2016, the Group injected additional cash contribution, amounting to $299,700, in equal proportion to its equity shareholdings in FW Coastal.

Aggregate information about the Group's investment in FW Coastal that is not material

	2016 $'000	2015 $'000
Loss after tax from continuing operations	**(1,417)**	(328)
Other comprehensive loss	**–**	–
Total comprehensive loss	**(1,417)**	(328)

The Group has not recognised its share of losses for current financial year amounting to $125,500 (2015: $98,100). At the end of the reporting period, the Group's cumulative share of unrecognised losses amounting to $223,600 (2015: $98,100).

The summarised financial information in respect Dae Kwang based on its FRS financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

	Dae Kwang	
	2016 $'000	2015 $'000
Summarised profit or loss and other comprehensive income		
Revenue	**11,232***	–
Expense	**(13,100)***	–
Income tax	**–**	–
Loss after tax	**(1,868)***	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(1,868)***	–
Summarised financial position		
Current assets		
Cash and cash equivalents	**378**	–
Trade and other receivables	**5,267**	–
Inventories	**9,127**	–
	14,772	–
Non-current assets excluding goodwill	**16,686**	–
Total assets	**31,458**	–
Current liabilities	**(16,301)**	–
Non-current liabilities	**(6,582)**	–
Total liabilities	**(22,883)**	–
Net assets	**8,575**	–
Net assets of associate		
Proportion of the Group's ownership interest	**20%**	–
Group's share of net assets	**1,715**	–
Goodwill	**3,764**	–
Carrying amount of interest in associates at end of year	**5,479**	–

* Representing the loss for the period from 23 December 2015 to 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

8. JOINT VENTURES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of the year	**1,647**	1,359	**7**	7
Share of post-acquisition reserves	**(910)**	288	**–**	–
Impairment loss	**(7)**	–	**(7)**	–
At end of the year	**730**	1,647	**–**	7

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2016	2015
Advanced Mooring Systems Pte Ltd ("AMS")(i)	Design, production and supply of mooring systems for the offshore oil and gas industry	Singapore	50	50
Held through KTL Investment Pte. Ltd.				
KTL Seletar Resources Pte. Ltd. ("KTL Seletar)(ii)	Investment holding	Singapore	51	51
Held through KTL Offshore Pte. Ltd.				
KTL Offshore Technology (Nantong) Co., Ltd. ("KTL Nantong")(iii)	Trading of high-end sling, processing, storage, display and other related services	People's Republic of China	40	40
Subsidiary of KTL Nantong Co., Ltd.				
Shanghai Kaidele Ocean Engineering Technology Co., Ltd.(iii) (iv)	Trading of high-end sling, processing, storage, display and other related services	People's Republic of China	40	–

(i) Audited by Crowe Horwath First Trust LLP, Singapore
(ii) Audited by Reliance Audit LLP, Singapore
(iii) The entity has yet to appoint an auditor
(iv) Newly incorporated and not significant to the Group

All of the above joint ventures are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

8. JOINT VENTURES (CONTINUED)

Aggregate information about the Group's investment in KTL Seletar that is not material

	2016 $'000	2015 $'000
Loss after tax	**(36)**	(124)
Other comprehensive loss	**–**	–
Total comprehensive loss	**(36)**	(124)

The summarised financial information in respect of AMS and KTL Nantong, based on its FRS financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements as follows:

	AMS		KTL Nantong	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Summarised profit or loss and other comprehensive income				
Revenue	**–**	–	**586**	–
Expense	**(1,039)**	(102)	**(1,959)**	(63)
Income tax	**106**	18	**(3)**	–
Loss after tax	**(933)**	(84)	**(1,376)**	(63)
Other comprehensive loss	**–**	–	**–**	–
Total comprehensive loss	**(933)**	(84)	**(1,376)**	(63)
Includes – Depreciation	**111**	105	**–***	–*
Summarised financial position				
Current assets				
Cash and cash equivalents	**9**	8	**1,364**	1,408
Trade and other receivables	**–**	10	**647**	2,025
	9	18	**2,011**	3,433
Non-current assets excluding goodwill	**9**	1,006	**2**	4
Total assets	**18**	1,024	**2,013**	3,437
Current liabilities	**(69)**	(69)	**(125)**	(175)
Non-current liabilities	**–**	(102)	**–**	–
Total liabilities	**(69)**	(171)	**(125)**	(175)
Net (liabilities)/assets	**(51)**	853	**1,888**	3,262
Net assets of joint ventures				
Proportion of the Group's ownership interest	**50%**	50%	**40%**	40%
Group's share of net (liabilities)/assets	**(26)**	427	**755**	1,305
Less: Unrealised profits	**(139)**	(139)	**–**	–
Foreign currency translation	**12**	42	**(25)**	12
Carrying amount of interest in joint ventures at end of year	**–**	330	**730**	1,317

* Denotes amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

8. JOINT VENTURES (CONTINUED)

The Group has not recognised its share of losses for AMS and KTL Seletar for the current year amounted to $153,000 and $18,000 (2015: Nil and $63,000) respectively. At the end of the reporting period, the Group's cumulative share of unrecognised losses of AMS and KTL Seletar amounted to $153,000 and $159,000 (2015: Nil and $141,000) respectively. The Group has no obligations in respect of these losses. There are no contingent liabilities relating to the Group's and Company's interest in the joint venture companies.

9. DUE FROM A SUBSIDIARY
DUE TO AN ASSOCIATE

Non-current amount due from a subsidiary pertains to a quasi-equity loan. It is unsecured, interest-free and is not expected to be repaid within the next twelve months.

Non-current amount due to an associate relates to a rental deposit which is repayable at the end of the lease period. It is unsecured, interest-free and is not expected to be repaid within the next twelve months.

10. DUE FROM SUBSIDIARIES
DUE FROM ASSOCIATE AND JOINT VENTURE COMPANIES
DUE TO A RELATED PARTY
DUE TO AN ASSOCIATE

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand, except for a loan due from an associate amounting to $1,774,000 (2015: $1,452,000) bearing an interest at 5.25% (2015: 5.25%) per annum.

The amounts due from associate and joint venture companies amounting to $2,298,000 (2015: $1,551,000) and $1,000 (2015: $1,191,000). The amounts due from joint venture companies are stated after an allowance for impairment amounting to approximately $1,195,000 (2015: Nil).

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Withholding tax recoverable (Note A)	**37**	250	**–**	–
Deposit	**116**	109	**–**	–
Prepayment (Note B)	**17**	1,776	**–**	–
	170	2,135	**–**	–
Current				
Deposits	**223**	304	**–**	10
Staff advances	**7**	104	**–**	–
Prepayments	**346**	784	**–**	–
GST receivable	**407**	328	**–**	–
Others receivables	**166**	122	**–**	26
	1,149	1,642	**–**	36

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note A

In prior year, foreign withholding tax had been paid at the rate of 10%. This rate can be reduced to 4.2% if certain conditions are met and the Group believes it is able to meet these conditions. The Group has received a letter of order from India Commissioner of Income Tax dated 23 February 2015 stating that the amount will be refunded back to the Group. The Group has received partial refund during the financial year. However, the Group does not expect the remaining amount of $37,000 (2015: $250,000) to be collected within 12 months from the reporting date, and hence it has been classified as non-current asset.

Note B

In prior year, non-current prepayment relates to progress payments made in respect of the purchase of property, plant and equipment by the Group.

12. INVENTORIES

	Group	
	2016	**2015**
	$'000	**$'000**
Statement of financial position		
Trading goods and supplies	**25,536**	33,626
Statement of profit or loss and other comprehensive income		
Inventories recognised as an expense in cost of sales	**30,265**	47,317
Inclusive of the following charge:		
– Allowance for inventories obsolescence	**103**	20
– Inventories written off	**797**	–

13. TRADE RECEIVABLES

	Group	
	2016	**2015**
	$'000	**$'000**
Non-related parties	**11,573**	25,822
– Joint venture company	**12**	12
Less: Allowance for impairment of trade receivables (Note 32 (iii))		
– Non-related parties	**(3,107)**	(118)
– Joint venture company	**(12)**	–
	8,466	25,716
Unbilled trade receivables	**66**	–
	8,532	25,716

Trade receivables from related parties are unsecured, interest free and have a credit term of 30 days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

14. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash on hand	**7**	8	**–**	–
Cash at banks	**1,412**	1,354	**44**	133
Fixed deposits	**294**	1,330	**–**	–
Cash and bank balances presented on the statement of financial position	**1,713**	2,692	**44**	133
Less: Bank overdraft (Note 17)	**–**	(3,324)		
Less: Pledged fixed deposits (Note A)	**(294)**	(1,330)		
Cash and cash equivalents presented on the consolidated statement of cash flow	**1,419**	(1,962)		

Note A

Fixed deposits are pledged in connection with banking facilities provided by the banks.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for 1 month and earn interests at 1.00% per annum (2015: 0.05%).

15. BILLS PAYABLES

In prior year, bills payables were repayable within one to six months at effective interest rate of 1.6% to 5.7% per annum. There are no bill payables at the current reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000 (Restated) (Note 34)	$'000	$'000 (Restated) (Note 34)
Non-current				
Deposit	**292**	–	**–**	–
Deferred income[(a)]	**1,300**	1,612	**–**	–
Provision for staff gratuity[(b)]	**213**	168	**–**	–
	1,805	1,780	**–**	–
Current				
Deposits and advances received	**439**	431	**–**	–
Deferred income[(a)]	**311**	311	**–**	–
Accrued expenses	**628**	1,498	**203**	754
Other payables	**2,150**	1,162	**54**	74
GST payables	**31**	49	**30**	45
	3,559	3,451	**287**	873
Total:	**5,364**	5,231	**287**	873

(a) Deferred income pertains to a novation fee received from the previous landlord arising from a change in ownership of the premise under lease. It will be amortised and offset against future operating lease expense over the remaining lease period.

(b) Provision made for end-of-service gratuity payable to employees of a subsidiary in accordance with the labour laws of that jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

17. INTEREST-BEARING LOANS AND BORROWINGS

Group	Not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000	Total $'000
2016				
Loans[(i)]	**26,136**	**3,971**	**2,297**	**32,404**
Finance lease obligations[(ii)]	**455**	**1,583**	**–**	**2,038**
	26,591	**5,554**	**2,297**	**34,442**
2015				
Loans[(i)]	12,181	4,692	3,536	20,409
Finance lease obligations[(ii)]	165	205	–	370
Bank overdraft[(iii)]	3,324	–	–	3,324
Invoice financing[(iv)]	3,325	–	–	3,325
Fixed advance facility[(v)]	2,000	–	–	2,000
	20,995	4,897	3,536	29,428

(i) Loans

Group	On demand or not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000	Total $'000
2016				
Loan 1 (secured)	**441**	**1,924**	**1,743**	**4,108**
Loan 2 (secured)	**24,973**	**–**	**–**	**24,973**
Loan 3 (secured)	**387**	**1,112**	**–**	**1,499**
Loan 4 (secured)	**155**	**653**	**554**	**1,362**
Loan 7 (secured)	**180**	**282**	**–**	**462**
	26,136	**3,971**	**2,297**	**32,404**
2015				
Loan 1 (secured)	447	1,235	2,848	4,530
Loan 4 (secured)	111	473	688	1,272
Loan 5 (unsecured)	11,348	2,472	–	13,820
Loan 6 (unsecured)	275	512	–	787
	12,181	4,692	3,536	20,409

17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(i) Loans (Continued)

Loan 1 (secured)

The 10-year Singapore dollar ("SGD") denominated term loan of a subsidiary bears interest at 1.55% (2015: 1.55%) per annum over the bank's one month cost of fund and is repayable in 120 monthly instalments commencing from October 2014. The term loan is secured by a corporate guarantee issued by the Company to the bank, personal guarantee from certain directors of the Group and leasehold building and prepaid and lease in Malaysia (Notes 3 and 4).

Loan 2 (secured)

The 3-year SGD-denominated term loans of a subsidiary bears interest rate at 3% (2015: n/a) per annum over SIBOR. The loan is repayable over 36 monthly instalments commencing May 2016 and a final payment of $13,917,000 on April 2019, with the option to extend for another two years.

The total amount repayable after 12 months according to the original instalment plan is $21,387,000. However, the entire Loan 2 is classified as current liabilities due to technical breach of loan covenants as at 30 June 2016 which will render the entire loan to be immediately due and repayable. The bank has granted the subsidiary an extension until 30 November 2016 to comply with the loan covenants which mainly comprise profitability and loan servicing ratio.

The loan is secured by:

(i) fixed charges and assignments over (a) first legal mortgage, all real property in Singapore belonging to a subsidiary; (b) first fixed equitable charge, all other real property belonging to a subsidiary; (c) first fixed charge on book debts, investment and dividends, uncalled capital and goodwill, intellectual property, plant and machinery and other equipments and floating charges over all assets and undertaking of certain subsidiaries;

(ii) charge over certain bank accounts of the Company and certain subsidiaries;

(iii) pledge of shares and dividend of the Company and certain subsidiaries;

(iv) assignment of all present and future right, title and interest in and to the insurances of a subsidiary;

(v) assignment of all present and future right, title and interest in and to an operating lease agreement in which a subsidiary is the lessee, in relation to 61 Tuas Bay Drive, Singapore 637430; and

(vi) joint and several personal guarantee of 2 directors of the Company and 1 director of a subsidiary.

Among other terms of the loan, the loan will be cancelled and all amounts accrued shall become immediately due and payable upon the occurrence of a Change of Control, which has been defined to include the Tan Family (meaning Tan Tock Han, Tan Kheng Yeow, Tan Kheng Kuan, each of their respective spouses and children, and Kim Teck Leong Pte. Ltd.) ceasing directly or indirectly to hold beneficially at least 53% of the issued share capital of the Company. As of the date of these financial statements, the Company is in compliance with this covenant.

Loan 3 (secured)

The 5-year SGD-denominated term loan of a subsidiary bears interest rate at 4.75% (2015: n/a) per annum and is repayable over 60 monthly instalments commencing January 2015. The loan is secured by a property of a director, corporate guarantee by the Company and personal guarantee from certain directors of the Company with effect from March 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(i) Loans (Continued)

Loan 4 (secured)

The SGD-denominated term loan of a subsidiary bears interest rates at 2% (2015: 2%) per annum above the 3-month SIBOR and are repayable in 120 monthly instalments commencing October 2014.

The term loan is secured by a corporate guarantee issued by the Company to the banks and the investment properties in Malaysia (Note 5).

Loan 5 (unsecured)

In prior year, these unsecured SGD-denominated term loans to subsidiary bears interest rates ranging from 2% to 5.75% per annum and are repayable in between 6 to 60 monthly instalments commencing from January 2015. The term loans were secured by a corporate guarantee issued by the Company to the banks. The loans were restructured and fully settled in April 2016.

Loan 6 (unsecured)

In prior year, the 8-year term loan to a subsidiary is secured by a corporate guarantee issued by the Company to the bank. The loan bore interest at 1.25% per annum over the bank's prime lending rate and was repayable in 96 monthly instalments commencing June 2010. The loan was restructured and fully settled in April 2016.

Loan 7 (secured)

The SGD-denominated term loan of a subsidiary bears interest rate at 2% per annum (2015: n/a) over the bank's one month cost of fund and is repayable over 36 monthly instalments commencing December 2015. The loan is secured by leasehold building and prepaid land lease in Malaysia (Notes 3 and 4), corporate guarantee by the Company and personal guarantee from certain directors of the Company.

(ii) Finance lease obligations

	Group	
	2016	**2015**
	$'000	**$'000**
Due within 1 year (current)		
Minimum lease payment	**502**	179
Interest	**(47)**	(14)
Present value of minimum lease payment	**455**	165
Due after 1 year less than 5 years (non-current)		
Minimum lease payment	**1,740**	230
Interest	**(157)**	(25)
Present value of minimum lease payment	**1,583**	205
Finance lease obligations	**2,038**	370

These obligations are secured by a charge over the Group's property, plant and equipment (Note 3). Lease terms range from 1 to 5 years. The effective interest rate ranges from 1.9% to 5.5% per annum (2015: 1.9% to 5.5%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(iii) Bank overdrafts

Bank overdrafts were denominated in SGD and bore interest at rates ranging from 4.25% to 5.70% (2015: 4.25% to 5.70%). The overdraft facilities were secured by a corporate guarantee issued by the Company to the banks. The bank overdraft facilities were fully repaid in April 2016.

(iv) Invoice financing

The invoice financing to a subsidiary was secured by a corporate guarantee by the Company to the banks. These facilities accept 80 to 90% of the total value of invoices assigned and had a repayment period of 120 to 150 days.

(v) Fixed advance facility

The advance facility has been fully settled on 4 November 2015. The facility bore interest rate at 0.5% per annum above the bank's prime lending rate and is secured by a corporate guarantee issued by the Company to the bank.

18. DEFERRED TAX ASSETS / LIABILITIES

	Group	
	2016	**2015**
	$'000	**$'000**
At beginning of year	**1,033**	1,145
Recognised in the profit or loss (Note 27)	**(1,747)**	(112)
At end of year	**(714)**	1,033
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(811)**	(36)
Deferred tax liabilities	**97**	1,069
	(714)	1,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

18. DEFERRED TAX ASSETS / LIABILITIES (CONTINUED)

The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Tax over book depreciation $'000	Provisions $'000	Unutilised tax losses $'000	Total $'000
2016				
At beginning of year	**1,069**	**–**	**(36)**	**1,033**
Recognised in the profit or loss	**(675)**	**–**	**(1,072)**	**(1,747)**
At end of year	**394**	**–**	**(1,108)**	**(714)**
2015				
At beginning of year	1,163	(18)	–	1,145
Recognised in the profit or loss	(94)	18	(36)	(112)
At end of year	1,069	–	(36)	1,033

Deferred tax assets pertain to a subsidiary which suffered a loss in the current financial period, and is recognised based on the probable future profits as evidenced by the budgeted profits for 5 years. The unrecognised deferred tax assets are disclosed in Note 27.

19. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
At beginning of the year	**233,075**	**34,203**	226,075	33,269
Issued for cash	**–**	**–**	7,000	934
Issued for the acquisition of Dae Kwang	**9,450**	**633**	–	–
At end of the year	**242,525**	**34,836**	233,075	34,203

Pursuant to the sale and purchase agreement for the acquisition of 20% equity interest in an associate, Dae Kwang, the Company is required to issue 9,450,000 ordinary shares at an issue price of $0.1854 per share as part of the purchase consideration. The acquisition was completed on 23 December 2015, consequently, the shares were measured at the prevailing market price of S$0.067 per share, totalling $633,150 (Note 7).

The newly issued shares rank pari passu in all respects with previously issued shares. All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

20. TREASURY SHARES

	Group and Company			
	2016		2015	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
At beginning of the year	**916**	**(113)**	2,202	(646)
Repurchased during the year	**1,403**	**(219)**	670	(87)
Reissued pursuant to KTL Performance Share Scheme (Note 24)	**(404)**	**50**	(1,956)	260
Loss on reissuance transferred to treasury shares reserve	**–**	**8**	–	360
At end of the year	**1,915**	**(274)**	916	(113)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company acquired 1,403,000 (2015: 670,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $219,000 (2015: $87,000) and this was presented as a component within shareholders' equity. The Shares are held as treasury shares.

On 26 October 2015, the Company has reissued 403,729 (2015: 1,956,246) treasury shares pursuant to the KTL Performance Share Scheme at $0.124 (2015: $0.133) each.

21. RESERVES

(a) Treasury shares reserve

Treasury shares reserve represents the gain or loss arising from purchase, sales, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (where in cash or otherwise) of the Company's assets may be made in respect of this reserve.

(b) Statutory reserve fund

In accordance with the Implementing Regulations of the Hamriyah Free Zone Authority applicable to a subsidiary in the Hamriyah Free Zone, United Arab Emirates, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits after tax as determined in accordance with the applicable accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's paid up share capital. The reserve is not available for distribution except as provided in the Federal Law of Hamriyah Free Zone.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

21. RESERVES (CONTINUED)

(c) Merger reserve

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 businesses, assets and liabilities, relating to the supply or 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.

(d) Employee equity benefit reserve

Employee equity benefit reserve represents the equity-settled awards granted to employees (Note 24). The reserve is made up of the cumulative value of service received from employees recorded over the vesting period commencing from the grant date of the equity-settled share scheme, and is reduced by the expiry, cancellation and settlement of the awards.

22. REVENUE

	Group	
	2016	2015
	$'000	$'000
Sale of goods	**35,717**	64,380
Revenue from services	**4,247**	5,329
Rental of equipment	**1,997**	2,882
	41,961	72,591

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

23. OTHER OPERATING INCOME/EXPENSES

	Group	
	2016	2015
	$'000	$'000
Other operating income		
Foreign exchange gain – net	–	166
Sub-lease income from office premise under operating lease	1,630	1,201
Gain on disposal of property, plant and equipment	22	48
Sundry income	241	251
	1,893	1,666
Other operating expenses		
Allowance for impairment on amounts due from joint venture companies	1,195	–
Allowance for doubtful debts (Note 32 (iii))	3,008	–
Bad debts written off	116	–
Foreign exchange loss – net	229	–
Impairment loss on prepaid land lease (Note 4)	45	–
Impairment loss on investment properties (Note 5)	67	–
Impairment loss on investment in joint ventures (Note 8)	7	–
Loss on disposal of property, plant and equipment	241	–
	4,908	–

24. PERSONNEL EXPENSES

	Group	
	2016	2015
	$'000	$'000
		(Restated)
		(Note 34)
Salaries and bonuses[i]	8,795	9,755
Other short-term benefits	631	580
Total short-term employee benefits	9,426	10,335
Contributions to defined contribution plan[i]	511	532
Termination benefits	188	44
Employee share-based payments[i]	–	50
	10,125	10,961

(i) Includes directors' remuneration as disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

24. PERSONNEL EXPENSES (CONTINUED)

KTL Performance Share Scheme

The Company had adopted the KTL Performance Share Scheme (the "Scheme") on 23 October 2009. The Scheme is administered by the remuneration committee. Under the Scheme, awards of fully-paid ordinary shares in the capital of the Company in the form of existing shares ("Award") held as treasury 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 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.

During the year, 403,729 treasury shares of the Company have been re-issued to a director as fully-paid shares under the performance share scheme in respect of previous financial year. The total expenses recognised during the year relating to the share-based payment transaction amounted to Nil (2015: $50,000) (Note 20).

25. FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense on:		
– Bank overdrafts, loans and borrowings	**1,590**	1,089
– Lease obligations	**14**	54
	1,604	1,143

26. (LOSS)/PROFIT BEFORE TAX

This determined after charging/(crediting) the following:

	Group	
	2016	**2015**
	$'000	**$'000**
Depreciation of property, plant and equipment (Note 3)	**3,870**	3,040
Amortisation of prepaid land lease (Note 4)	**126**	116
Bad debts written off	**116**	–
Allowance for doubtful debts (Note 32 (iii))	**3,008**	–
Operating lease expenses	**3,584**	3,952
Foreign exchange loss/(gain) – net	**229**	(166)
Impairment loss on prepaid land lease (Note 4)	**45**	–
Impairment loss on investment properties (Note 5)	**67**	–
Impairment loss on investment in joint ventures (Note 8)	**7**	–
Allowance for impairment of amount due from joint venture companies (Note 10)	**1,195**	–
Audit fees		
– Auditors of the Company	**79**	123
– Other auditors	**67**	18
Non-audit fees		
– Auditors of the Company	**–**	12
– Other auditors	**4**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

27. INCOME TAX CREDIT

	Group	
	2016	**2015**
	$'000	**$'000**
Current tax		
– Withholding tax	**100**	–
– Current year	**11**	57
– Over provision in prior years	**(38)**	–
Deferred tax (Note 18)		
– Movement in temporary differences	**(1,804)**	(112)
– Under provision in prior years	**57**	–
Income tax credit recognised in profit or loss	**(1,674)**	(55)

The reconciliation of the tax credit and the product of accounting (loss)/profit multiplied by the applicable rate is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Accounting (loss)/profit	**(15,927)**	1,539
Tax at the applicable tax rate of 17% (2015: 17%)	**(2,708)**	262
Non-deductible expenses	**751**	275
Tax incentives	**(71)**	(98)
Under provision in respect of previous years	**21**	–
Effect of partial tax exemption and tax relief	**–**	(450)
Share of losses of joint venture companies and associates	**268**	12
Deferred tax assets not recognised	**137**	–
Effect of difference in tax rates in other countries	**(161)**	(155)
Withholding tax	**100**	–
Others	**(11)**	99
Income tax credit recognised in profit or loss	**(1,674)**	(55)

The Company and subsidiaries in Singapore

The Company and subsidiaries in Singapore are subjected to an applicable tax rate of 17% (2015: 17%). Certain subsidiaries are in a tax loss position hence they are not subjected to tax in the current and previous years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

27. INCOME TAX CREDIT (CONTINUED)

Subsidiaries in Malaysia

Subsidiaries in Malaysia are subjected to an applicable tax rate of 25% (2015: 24%). The subsidiaries are in a tax loss position hence they are not subjected to tax in the current and previous years.

Subsidiary in United Arab Emirates

Subsidiary incorporated in United Arab Emirates is exempted from income tax.

Subsidiaries in Indonesia

Subsidiaries in Indonesia are subjected to an applicable tax rate of 25%.

At the end of the reporting period, the Group has unutilised capital allowance and tax losses of approximately $441,000 and $130,000 (2015: nil and nil) respectively that are available to offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The tax loss has no expiry. The use of these unutilised tax losses is subject to the agreement by the tax authority and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

28. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2016 $'000	2015 $'000 (Restated)
Net (loss)/profit attributable to equity holders of the Company	**(14,172)**	1,555

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Diluted earnings per share are calculated by dividing (loss)/profit for the year, net of tax, attributable to owners of the Company 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. There were no dilutive potential ordinary shares as at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

28. EARNINGS PER SHARE (CONTINUED)

The following table reflects the (loss)/profit and number of shares used in the computation of basic and diluted earnings per share for the years ended 30 June 2016 and 30 June 2015:

	2016	2015 (Restated)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**237,468**	226,303
Effects of dilution:		
– Employee share-based payment scheme ('000)	**–**	292
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**237,468**	226,595
Basic earnings per share (cents) attributable to owners of the Company	**(5.97)**	0.69
Diluted earnings per share (cents)	**(5.97)**	0.69

29. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Group	
	2016 $'000	2015 $'000
Sales of goods to related parties	**–**	19
Sales of goods to an associate	**7**	–
Rental income from a related party	**–**	468
Purchase of goods from a related party	**–**	(422)
Purchase of professional services from related parties	**(14)**	(48)
Rental income from an associate	**543**	402
Loan to an associate	**322**	1,500

In addition to the above, the Group waived the interest chargeable of $93,000 (2015: $76,000) on amount due from an associate amounting to $1,774,000 (2015: $1,452,000) during the financial year (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

29. RELATED PARTY INFORMATION (CONTINUED)

Related parties comprise mainly companies or firms which are controlled or jointly controlled by the Group's key management personnel and their close family members.

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Key management personnel compensation		
Wages and salaries	**2,003**	1,986
Other short-term benefits	**530**	395
	2,533	2,381
Employer's contribution to defined contribution plans	**83**	73
Employee share-based payments	**–**	50
	2,616	2,504

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. All directors and certain executive officers are considered key management personnel.

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. COMMITMENTS

(i) Contingent liabilities

Corporate guarantees

The Company has issued a corporate guarantee to certain banks in respect of banking facilities amounting to $32,404,000 (2015: $35,803,000) granted to wholly-owned subsidiaries. As at 30 June 2016, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

30. COMMITMENTS (CONTINUED)

(ii) 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 10 years, with options to renew the lease after that date. None of the lease includes contingent rentals.

	Group	
	2016	2015
	$'000	$'000
Future minimum lease payments		
– Not later than 1 year	**4,542**	3,967
– Later than 1 year and not later than 5 years	**18,621**	16,147
– Later than 5 years	**5,487**	5,667
	28,650	25,781

(ii) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its office premise under operating lease.

	Group	
	2016	2015
	$'000	$'000
Future minimum lease payments		
– Not later than 1 year	**1,645**	731
– Later than 1 year and not later than 5 years	**1,341**	1,157
	2,986	1,888

(iii) Future capital expenditure

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements, are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
In respect of property, plant and equipment	**105**	2,316	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

31. 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:

(a) The offshore oil and gas segment relates to sales of goods and services to customers in the oil and gas industry. 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.
(b) The marine segment relates to sales of goods and services to customers in the marine industry.
(c) Others business segment relates to sales to customers in other industry sectors, 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 the business segments 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 below, 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.

There is no transaction between the segments.

Business segments

	Offshore oil and gas $'000	Marine $'000	Others $'000	Total $'000
30 June 2016				
Revenue	21,191	12,843	7,927	41,961
Other income				1,893
Segment revenue				43,854
Segment results	(6,436)	(3,901)	(2,407)	(12,744)
Share of losses of joint venture companies				(910)
Share of losses of associates				(669)
Finance expenses				(1,604)
Loss before tax				(15,927)
Income tax credit				1,674
Loss for the year				(14,253)
Other segment information:				
Amortisation of prepaid land lease	64	39	23	126
Allowance for doubtful debts	1,519	921	568	3,008
Depreciation	1,956	1,184	730	3,870

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

31. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Offshore oil and gas $'000	Marine $'000	Others $'000	Total $'000
Allowance for impairment on amount due from joint venture	**603**	**366**	**226**	**1,195**
Inventories written off	**402**	**244**	**151**	**797**
Share of losses of joint venture companies	**460**	**278**	**172**	**910**
Share of losses of associates	**338**	**205**	**126**	**669**
Acquisition/additional investment in associates	**3,105**	**1,882**	**1,161**	**6,148**
Additions to property, plant and equipment	**5,284**	**3,202**	**1,976**	**10,462**

* Denotes amount less than $1,000 (different from FS).

	Offshore oil and gas $'000	Marine $'000	Others $'000	Total $'000
30 June 2015				
Revenue	45,068	18,716	8,807	72,591
Other income				1,666
Segment revenue				74,257
Segment results	3,417	(976)	309	2,750
Share of losses of joint venture companies				(68)
Share of losses of associate				*
Finance expenses				(1,143)
Profit before tax				1,539
Income tax				55
Profit for the year				1,594
Other segment information:				
Amortisation of prepaid land lease	64	27	13	104
Depreciation	1,887	784	369	3,040
Additions to property, plant and equipment	4,785	1,987	935	7,707

* Denotes amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

31. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Group	
	2016	2015
	$'000	$'000
Singapore	**13,411**	34,677
United Arab Emirates	**7,452**	8,375
Indonesia	**2,668**	3,319
Malaysia	**5,588**	5,333
Asia	**5,630**	6,095
Rest of the world	**7,212**	14,792
	41,961	72,591

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

Asia includes Brunei, Hong Kong, India, Japan, Philippines, People's Republic of China, South Korea, Taiwan, Thailand and Vietnam; each country contributing less than 10% of total revenue.

Rest of the world include Africa, Australia, North and South America, Europe, New Zealand and other Middle Eastern countries; each contributing less than 10% of total revenue.

None of an individual customer contributes more than 10% of total revenue.

	Non-current assets		Additions to non-current assets	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore	**26,333**	20,367	**11,133**	4,476
Indonesia	**22**	22	**–**	18
Malaysia	**9,737**	8,036	**1,664**	5,984
United Arab Emirates	**2,660**	2,195	**141**	389
	38,752	30,620	**12,938**	10,867

Non-current assets presented above exclude deferred tax assets and other receivables, deposits and prepayment.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risks (interest rate risk and foreign currency risk), liquidity risk and credit risk. The Group's risk management approach seeks to minimise the potential material adverse impact of these exposures.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Market risk

(a) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and investments that are denominated in a currency other than the functional currencies of Group's entities.

The currencies that give rise to this risk mainly include United States Dollars (USD), Euro, Malaysian Ringgit (MYR) and United Arab Emirates Dirham (AED).

The Group manages foreign currency risk by matching assets and liabilities in the same currency denomination. The Group does not use derivative financial instruments to mitigate the financial impact associated with foreign currency fluctuation from its businesses.

Group 2016	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Other $'000	Total $'000
Financial assets							
Cash and bank balances	589	939	38	31	78	38	1,713
Trade receivables	4,821	2,264	505	–	925	17	8,532
Other receivables	264	–	–	60	164	24	512
Due from associate and joint venture companies	1,775	7	–	517	–	–	2,299
Intragroup receivables	55,020	3,721	23	249	–	–	59,013
	62,469	6,931	566	857	1,167	79	72,069

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2016	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Other $'000	Total $'000
Financial liabilities							
Interest bearing loans and borrowings	34,387	–	–	22	33	–	34,442
Trade payables	2,699	4,272	278	24	518	644	8,435
Other payables and accruals	2,343	627	–	4	500	35	3,509
Due to a related party	4	–	–	–	–	–	4
Due to an associate	300	–	–	77	–	–	377
Intragroup payables	55,020	3,721	23	249	–	–	59,013
	94,753	8,620	301	376	1,051	679	105,780
Net financial (liabilities)/ assets	(32,284)	(1,689)	265	481	116	(600)	(33,711)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	4,636	2,594	–	(583)	–	–	6,647
Foreign currency exposure	(27,648)	905	265	(102)	116	(600)	(27,064)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) *Market risk* (Continued)

(a) Foreign exchange risk (Continued)

Group 2015	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Other $'000	Total $'000
Financial assets							
Cash and bank balances	1,634	635	35	32	318	38	2,692
Trade receivables	14,660	8,996	1,317	–	698	45	25,716
Other receivables	256	17	–	167	182	17	639
Amount due from associate and joint venture companies	2,642	–	–	100	–	–	2,742
Intragroup receivables	55,015	3,516	–	25	–	–	58,556
	74,207	13,164	1,352	324	1,198	100	90,345
Financial liabilities							
Interest bearing loans and borrowings	29,372	–	–	–	56	–	29,428
Trade payables	2,766	5,793	1,839	45	404	675	11,522
Bills payables	3,149	2,216	1,380	–	–	–	6,745
Other payables and accruals	2,146	421	–	524	–	–	3,091
Due to an associate	–	–	–	79	–	–	79
Intragroup payables	55,015	3,516	–	25	–	–	58,556
	92,448	11,946	3,219	673	460	675	109,421
Net financial assets/ (liabilities)	(18,241)	1,218	(1,867)	(349)	738	(575)	(19,076)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	(11,543)	(4,517)	–	(1,743)	–	–	(17,803)
Foreign currency exposure	(29,784)	(3,299)	(1,867)	(2,092)	738	(575)	(36,879)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 3% increase and decrease in the Singapore dollars against the relevant foreign currencies. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 3% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the Singapore dollars strengthens by 3% (2015: 3%) against the relevant foreign currency, with all other variables held constant, (loss)/profit for the year will increase/(decrease) by:

Group	Singapore dollars $'000	United States dollars $'000	Euro $'000	Malaysian Ringgit $'000	AED $'000	Other $'000
2016						
Loss for the year	**(688)**	**23**	**7**	**(3)**	**3**	**(15)**
2015						
Profit for the year	(741)	82	46	52	(18)	14

A 3% weakening of foreign currencies against the respective functional currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in other countries mainly Malaysia and United Arab Emirates. The Group's net investment in Malaysia and United Arab Emirates is not hedged as currency position in Malaysian Ringgit and United States dollars and is considered to be long-term in nature.

The Company does not have any significant foreign exchange risk arising from its financial assets and liabilities. As such foreign exchange and its sensitivity analysis is not prepared.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) *Market risk* (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at reporting date, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount of the Group's interest-bearing financial instruments:

	Note	Group	
		2016	**2015**
		$'000	**$'000**
Fixed rate instruments			
Financial assets – loan to an associate	10	**1,774**	1,451
Financial assets – fixed deposit	14	**294**	1,330
Financial liabilities – interest-bearing loans and borrowings	17	**(3,537)**	(8,705)
		(1,469)	(5,924)
Variable rate instruments			
Financial liabilities – interest-bearing loans and borrowings	17	**(30,905)**	(20,723)

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

Interest risk sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 75 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 30 June 2016 would increase/decrease by $192,000 (2015: decrease/increase by $129,000). This mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay and includes both interest and principal cash flows.

Group	Weighted average effective interest rate %	On demand or not later than 1 year $'000	Later than 1 year and not later than 5 years $'000	Later than 5 years $'000
2016				
Non-derivative instruments				
Trade payables		**8,435**	**–**	**–**
Other payables		**3,248**	**292**	**–**
Borrowings	**3.71**	**27,106**	**4,472**	**2,553**
Lease obligation	**4.44**	**502**	**1,740**	**–**
		39,291	**6,504**	**2,553**
2015				
Non-derivative instruments				
Trade payables		11,522	–	–
Bill payables		6,745	–	–
Other payables		2,915	79	–
Borrowings	3.35	21,526	5,180	4,010
Lease obligation	3.53	179	230	–
		42,887	5,489	4,010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by directors of the Company.

The Group's trade receivables comprise 5 debtors (2015: 5 debtors) who are multi-industry conglomerates (including offshore oil and gas and marine) located in Singapore and overseas that represented 37% (2015: 45.5%) of trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2016	**2015**
	$'000	**$'000**
Corporate guarantees provided to banks on		
– Subsidiaries' loans	**32,404**	35,803

The average credit period on sales of goods is 30 to 90 days (2015: 30 to 90 days). No interest is charged on the trade receivables on the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
By geographical areas:		
– Singapore	**3,745**	11,654
– Asia	**1,462**	9,627
– Middle East	**2,263**	3,510
– Other countries	**996**	925
	8,466	25,716

The age analysis of trade receivables (exclude unbilled trade receivables) is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Not past due and not impaired	**2,727**	9,166
Past due but not impaired		
– Past due 0 to 3 months	**3,388**	7,945
– Past due over 3 months	**2,351**	8,605
	5,739	16,550
Past due and impaired trade receivables	**3,119**	118
Less: Allowance for impairment loss	**(3,119)**	(118)
	8,466	25,716

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The amounts presented in the statement of financial position are net of allowance for impairment of trade receivables. Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are assessed to be in financial difficulties and have defaulted on payments, which includes an amount of $2,597,000 (2015: Nil) due from a single customer in Singapore who is now placed under judicial management. These receivables are not secured by any collateral or credit enhancements.

The movement in allowance for impairment of trade receivables is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Balance at beginning of the year	**118**	118
Allowance made during the year	**3,008**	–
Translation difference	**(7)**	–
Balance at end of the year	**3,119**	118

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately $5,739,000 (2015: $16,668,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are deemed recoverable. The Group does not hold any collateral over these balances.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 3 months.

As other receivables are not significant, no detailed age analysis has been set out as above.

Impairment on amount due from joint ventures

An allowance for impairment amounting to approximately $1,195,000 (2015: Nil) was made to an amounts due from joint venture (Note 10) whose financial capability to repay is in doubt based on its current financial performance. These amounts are not secured by any collateral or credit enhancements.

(iv) Financial instruments by category

The following table sets out the financial instruments as at reporting date:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables	**13,056**	31,789	**14,815**	20,424
Financial liabilities at amortised cost	**46,767**	50,865	**257**	828

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management policies and objectives

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains 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 2016 and 30 June 2015.

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, interest-bearing loans and borrowings, bills payables, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the Company less statutory reserve fund.

	Note	Group	
		2016	**2015**
		$'000	**$'000**
			(Restated)
Interest-bearing loans and borrowings	17	**34,442**	29,428
Bills payables	15	**–**	6,745
Trade payables		**8,435**	11,522
Other payables and accruals	16	**5,364**	5,231
Due to a related party	10	**4**	–
Due to associates	9, 10	**377**	79
Less: Cash and cash equivalents	14	**(1,419)**	(1,362)
Net debts		**47,203**	51,643
Equity attributable to the owners of the Company		**30,188**	44,871
Less: Statutory reserve fund		**(15)**	(15)
Total capital		**30,173**	44,856
Capital and net debt		**77,376**	96,499
Gearing ratio		**61%**	54%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 June 2016 and 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value on a recurring or non-recurring basis

There are no financial instruments in this category at 30 June 2016 and 2015.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables (including amounts due from subsidiaries, associate and joint venture companies), trade and other payables (including amounts due to a related party and associates), lease obligations and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

At the reporting date, there are no financial instruments in this category.

34. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

Prior year comparatives have been audited by another firm of public accountants and chartered accountants.

Certain restatements have been made to the prior years' financial statements as a result of the following:

(a) Bonus expense was wrongly recognised as expense in the year of payment, instead of accruing for it in the year it relates to in accordance with FRS 37.

(b) Comparative figures have been reclassified to conform to the current year's presentation as to better reflect the nature of the balances and transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

34. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONTINUED)

The effect of the restatements on the prior years' financial statements is as follows:

Group 2015	Balances as previously reported $'000	Adjustment (a) $'000	Reclassification (b) $'000	Balances as restated $'000
Statement of financial position				
Other receivables, deposits and prepayments	1,742	–	(100)	1,642
Due from associate and joint venture companies	2,642	–	100	2,742
Other payables and accruals	4,696	664	(129)	5,231
Due to an associate	–	–	79	79
Reserves	11,395	(664)	50	10,781
Statement of profit or loss and other comprehensive income				
Cost of sales	(48,055)	23	(4,958)	(52,990)
Administrative expenses	(19,118)	–	4,954	(14,164)
Sales and marketing expenses	(4,417)	60	4	(4,353)
Statement of cash flows				
Net cash used in operating activities	(962)	–	100	(862)
Net cash used in investing activities	(13,641)	–	959	(12,682)
Net cash from financing activities	11,769	–	(1,059)	10,710

2014	Balances as previously reported $'000	Adjustment (a) $'000	Reclassification (b) $'000	Balances as restated $'000
Statement of financial position				
Other payables and accruals	5,968	747	–	6,715
Reserves	12,945	(747)	–	12,198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
(Amounts in Singapore dollars unless otherwise stated)

34. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS (CONTINUED)

Company 2015	Balances as previously reported $'000	Adjustment (a) $'000	Reclassification (b) $'000	Balances as restated $'000
Statement of financial position				
Other payables and accruals	536	387	(50)	873
Reserves	(282)	(387)	50	(619)

2014	Balances as previously reported $'000	Adjustment (a) $'000	Reclassification (b) $'000	Balances as restated $'000
Statement of financial position				
Other payables and accruals	1,463	178	–	1,641
Reserves	(167)	(178)	–	(345)

In addition to the above, merger reserve was transferred to accumulated profit at beginning of prior year as the entities for which the merger reserve arriving from have been stroke off in prior years.

SHAREHOLDING STATISTICS

AS AT 15 SEPTEMBER 2016

Issued and paid-up capital	:	$37,713,920.88
Number of shares	:	242,525,228
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company holds 1,914,955 issued shares as treasury shares, constituting 0.8% of the total number of issued shares (excluding treasury shares).

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 15 September 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 – 99	14	1.54	174	–
100 – 1,000	26	2.87	20,737	0.01
1,001 – 10,000	319	35.13	1,962,926	0.82
10,001 – 1,000,000	531	58.48	43,049,802	17.89
1,000,001 – and above	18	1.98	195,576,634	81.28
Grand Total	**908**	**100.00**	**240,610,273**	**100.00**

Note: The above shareholdings do not include 1,914,955 treasury shares held by the Company.

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 15 September 2016

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SHAREHOLDERS	NO. OF SHARES	%[2]	NO. OF SHARES	%[2]
Tan Tock Han[1]	18,439,400	7.66	123,200,000	51.20
Tan Kheng Yeow[1]	228,200	0.09	123,200,000	51.20
Kim Teck Leong Pte. Ltd.	123,200,000	51.20	–	–
Khua Kian Keong	15,503,000	6.44	–	–

Notes:

(1) Tan Tock Han and Tan Kheng Yeow are deemed to have an interest in the 123,200,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

(2) The percentages of issued share capital are calculated based on 240,610,273 issued shares (excluding treasury shares) in the capital of the Company as at 15 September 2016.

SHAREHOLDING STATISTICS

AS AT 15 SEPTEMBER 2016

TWENTY LARGEST SHAREHOLDERS

As at 15 September 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	KIM TECK LEONG PTE. LTD.	123,200,000	51.20
2	DBS NOMINEES PTE LTD	11,314,016	4.70
3	SUNG SIL KWON	9,450,000	3.93
4	TAN TOCK HAN	8,869,000	3.69
5	CITIBANK NOMINEES SINGAPORE PTE LTD	6,616,000	2.75
6	CIMB SECURITIES (SINGAPORE) PTE LTD	5,797,815	2.41
7	TAN CHEE LIN	3,886,000	1.62
8	DBSN SERVICES PTE LTD	3,792,600	1.58
9	OCBC SECURITIES PRIVATE LTD	3,781,800	1.57
10	TANG GAR KEOW @ ANGIE TANG	3,346,600	1.39
11	BERETTA MARK GARETH JOSEPH	3,072,903	1.28
12	MAYBANK KIM ENG SECURITIES PTE LTD	2,905,000	1.21
13	DE SOUZA JEREMY LARRY	1,884,900	0.78
14	CHAN HING KA ANTHONY	1,830,000	0.76
15	TING LAY CHOO	1,666,000	0.69
16	CHUA SUAN KEOW	1,427,100	0.59
17	EASTERN NAVIGATION PTE LTD	1,422,400	0.59
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,314,500	0.55
19	TAN CHONG HIOK	1,000,000	0.42
20	NG SENG HONG	980,000	0.41
	TOTAL	**197,556,634**	**82.12**

Note: The above shareholdings do not include 1,914,955 treasury shares held by the Company.

FREE FLOAT

Based on the information provided to the Company as at 15 September 2016, approximately 32.85% 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 Tenth Annual General Meeting (the "**AGM**") of KTL Global Limited (the "Company") will be held at 71 Tuas Bay Drive, Singapore 637430 on Wednesday, 26 October 2016 at 10.30 am for the following purposes:–

AS ORDINARY BUSINESS

Resolution 1

1. To receive and adopt the audited financial statements for the financial year ended 30 June 2016, together with the Directors' Statement and Independent Auditors' Report.

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 Mr Wong Fook Choy Sunny, who is retiring by rotation pursuant to Article 104 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 the Board considers him to be independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.]

Resolution 4

4. To approve the payment of Directors' fees of S$176,000 for the financial year ended 30 June 2016. [FY2015: S$176,000]

Resolution 5

5. To re-appoint Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to set their remuneration.

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

AS SPECIAL BUSINESS

Resolution 6

7. 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

NOTICE OF ANNUAL GENERAL MEETING

(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 exceed 50% 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**"), of which 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;

(ii) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(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)]

NOTICE OF ANNUAL GENERAL MEETING

Resolution 7

8. 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 (ii)]

Resolution 8

9. 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**”), 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, which 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**”);

NOTICE OF ANNUAL GENERAL MEETING

(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% of the total number of issued Shares (excluding any Shares which are held as treasury shares) of the Company as at the date of the passing of this Resolution, unless the Company has reduced its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares); and

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is the earlier; and

"**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% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase : 120% 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-Market Day period;

NOTICE OF ANNUAL GENERAL MEETING

"**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 (iii)]

BY ORDER OF THE BOARD

Ng Kok Peng
Company Secretary
Singapore
11 October 2016

Explanatory Notes:–

(i) Ordinary Resolution 6, 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 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 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 6 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and (c) 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 7, 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.

(iii) Ordinary Resolution 8, 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 which is enclosed with the Company's Annual Report, as an Appendix.

NOTICE OF ANNUAL GENERAL MEETING

Notes:–

(i) Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

(iii) A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

(iv) If the member is a corporation, the instrument appointing the proxy must be under its common seal or signed by its duly authorised officer or attorney.

(v) The duly executed instrument appointing a proxy or proxies 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 AGM.

Personal data privacy:–

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

11 October 2016

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 "**2016 AGM**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") dated 11 October 2016 in respect of the AGM to be held on Wednesday, 26 October 2016 at 10.30 am at 71 Tuas Bay Drive, Singapore 637430 and Resolution 8 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 Share Purchase Mandate had been subsequently renewed at the annual general meetings held on 22 October 2010, 21 October 2011, 19 October 2012, 21 October 2013, 20 October 2014 and 20 October 2015. The authority conferred on the directors of the Company (the "**Directors**") under the current Share Purchase Mandate will expire at the forthcoming 2016 AGM to be held on 26 October 2016.

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 financial condition, liquidity and capital of the Company and the Group.

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 2016 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 (excluding any treasury shares held by the Company) as at the date of the 2016 AGM on which the resolution renewing the Share Purchase Mandate is passed (the "**Approval Date**"), unless the Company has thereafter, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 (the "**Companies Act**"), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding any treasury shares held by the Company). "**Relevant Period**" means the period commencing from the date on which the Share Purchase Mandate is renewed and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.

For illustrative purpose, as at 15 September 2016 (the "**Latest Practicable Date**"), the Company had 240,610,273 issued Shares (excluding 1,914,955 treasury shares) and thus up to 24,061,027 issued Shares may be purchased by the Company, assuming that the number of issued Shares (excluding treasury shares) of the Company remains unchanged up to the date of the 2016 AGM.

(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.

LETTER TO SHAREHOLDERS

(c) Manner of Purchase

Purchases of Shares may be made on the Singapore Exchange Securities Trading Limited (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.

Market Purchases refer to purchases of Shares by the Company effected on the SGX-ST 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:–

(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;

LETTER TO SHAREHOLDERS

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

(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; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Maximum Purchase Price

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, 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-Market Day 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, 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.

LETTER TO SHAREHOLDERS

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) Maximum Holdings

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

(b) Voting and other Rights

The Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. In particular, 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) Disposal and Cancellation

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 any share scheme, whether for employees, directors or other persons;

(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.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

LETTER TO SHAREHOLDERS

5. SOURCE OF FUNDS

The Companies Act permits the Company to purchase its Shares out of capital or profits so long as the Company is solvent. For this purpose, the Company is solvent if at the date of the payment for the Shares, the following conditions are satisfied:–

(a) there is no ground on which the Company could be found to be unable to pay its debts;

(b) if (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) 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) Purchase or Acquisition Out of Capital or Profits

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.

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.

LETTER TO SHAREHOLDERS

(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 22,337,567 Shares, being the number of Shares which the Company may purchase and hold as additional treasury shares, was made on 30 June 2016;

(ii) that the Company purchased or acquired Shares via Market Purchases at the Maximum Price of $0.05145 for each Share (being 105% of the Average Closing Price as at 30 June 2016);

(iii) that the purchase or acquisition of Shares by the Company, which required funds amounting to $1,149,268 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 2016 ("**FY2016**"), are set out below.

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Share capital	34,836	34,836	34,836	34,836
Reserves	(4,374)	(4,374)	(298)	(298)
Treasury shares	(274)	(1,423)	(274)	(1,423)
Shareholders' funds	30,188	29,039	34,264	33,115
Net tangible assets(1)	30,195	29,046	34,264	33,115
Current assets	39,229	38,080	14,815	13,666
Current liabilities	38,937	38,937	301	301
Working capital	292	(857)	14,514	13,365
Total liabilities(2)	48,767	48,767	301	301
Cash and bank balances(2)	1,713	564	44	44
Number of Shares ('000)	240,610	218,273	240,610	218,273
Financial Ratios				
Net tangible assets per Share (cents)	12.5	13.3	14.2	15.2
Earnings per Share (cents)	(5.9)	(6.5)	0.2	0.2
Gearing ratio(3) (times)	1.1	1.2	–	–
Current ratio(4) (times)	1.0	1.0	49.2	45.4

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 bank balances and total liabilities at the Company level are not affected.

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

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

LETTER TO SHAREHOLDERS

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 FY2016 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.

LETTER TO SHAREHOLDERS

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 79,048,014 issued Shares in the hands of the public (as defined above), representing 32.85% of the total number of issued Shares (excluding treasury shares) of the Company. Assuming that the Company purchases 24,061,027 Shares, which represents the full 10% limit pursuant to the Share Purchase Mandate, through Market Purchases and holds 22,337,567 of such Shares as treasury shares while cancelling the remaining 1,723,460 Shares, the number of issued Shares in the hands of the public would be reduced to approximately 54,987,087 Shares, representing 25.39% of the total number of issued Shares (excluding treasury shares) of the Company. As at the Latest Practicable Date, the Company held 1,914,955 treasury shares.

Under the Companies Act, in the event that the number of Shares held as treasury shares by the Company at any time exceeds 10% of the total number of issued Shares at that time, the Company shall dispose of or cancel the excess treasury shares within 6 months.

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

When a company purchases its own shares using its distributed profits or contributed capital, it will be regarded as any other disposal of shares by the shareholders from whom the shares are acquired.

For income tax purposes, whether or not the proceeds received by the Shareholders are taxable in the hands of the Shareholders who sell their Shares to the Company for which the purchases were made out of distributed profits or contributed capital 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.

LETTER TO SHAREHOLDERS

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 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

(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.

LETTER TO SHAREHOLDERS

(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 Tan Tock Han, Tan Kheng Yeow, Tan Kheng Kuan and Tan Suan Suan, who are shareholders of Kim Teck Leong Pte. Ltd., and Cheong Hooi Kheng who is the sister-in-law of Tan Tock Han, collectively held approximately 59.43% 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

The Company had not purchased any Shares in the 12 months preceding the Latest Practicable Date.

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, as recorded in the Register of Director's Shareholdings and the Register of Substantial Shareholders kept by the Company, are as follows:–

	Direct Interest		Deemed Interest	
	Number of Shares	**%[2]**	**Number of Shares**	**%[2]**
Directors				
Tan Tock Han[1]	18,439,400	7.66	123,200,000	51.20
Tan Kheng Yeow[1]	228,200	0.09	123,200,000	51.20
Mark Gareth Joseph Beretta	3,072,903	1.28	–	–
Cheong Hooi Kheng	140,000	0.06	–	–
Substantial Shareholders (other than Directors)				
Kim Teck Leong Pte. Ltd.[1]	123,200,000	51.20	–	–
Khua Kian Keong	15,503,000	6.44	–	–

Notes:

(1) Tan Tock Han and Tan Kheng Yeow are deemed to have an interest in 123,200,000 shares held by Kim Teck Leong Pte. Ltd. by virtue of Section 7 of the Act.

(2) The percentages of issued share capital are calculated based on 240,610,273 issued shares (excluding treasury shares) in the capital of the Company.

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 8, being the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the forthcoming 2016 AGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

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 2016 AGM:

(a) the Annual Report of the Company for the financial year ended 30 June 2016; 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. Such CPF investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.

I/We ______________________________ (Name) ______________ (NRIC/Passport/Co. Registration Number)

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 (%)

or failing the person or both of the persons above, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company to be held at 71 Tuas Bay Drive, Singapore 637430 on Wednesday, 26 October 2016 at 10.30 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 AGM 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 AGM and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Audited financial statements for financial year ended 30 June 2016		
2.	Re-election of Mr Tan Kheng Yeow as a Director		
3.	Re-election of Mr Wong Fook Choy Sunny as a Director		
4.	Payment of Directors' fees of S$176,000		
5.	Re-appointment of Crowe Horwath First Trust LLP as Auditors		
	Special Business		
6.	General authority to allot and issue new shares		
7.	Authority to issue shares pursuant to the KTL Performance Share Scheme		
8.	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 AGM. Alternatively, if you wish to exercise your votes both for and against the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this ________ day of ______________ 2016

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. Unless otherwise permitted under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM 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.

2. A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

3. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form.

4. 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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

5. This proxy form duly executed 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 AGM.

6. 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 common seal or under the hand of a duly authorised officer or attorney.

7. 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.

8. The Company shall be entitled to reject a proxy form which 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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

9. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 October 2016.

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KTL GLOBAL LIMITED

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