KTL GLOBAL LIMITED
(Incorporated in the Republic of Singapore under Registration Number 200704519M)

INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of KTL Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, RT LLP, had, without qualifying its audit opinion, included in the Independent Auditor's Report a material uncertainty related to going concern and an emphasis of matter in the audited financial statements of the Group for the financial year ended 31 December 2019.

A copy of the Independent Auditor's Report and an extract of the relevant Notes 2.1, 35(ii), and 36 to the financial statements are attached to this announcement for information.

BY ORDER OF THE BOARD

Liu Changsheng
Chief Executive Officer
12 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTL GLOBAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 39 to 134, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1(b) and 35(ii) in the financial statements. As at 31 December 2019, the Group was in a net current liability position of $15,923,000 and in a net liability position of $15,899,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 36 of the financial statements, which describes the rationale for the Group's ability to command a significantly high contribution with respect to Profit Before Tax for its services. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><td colspan="2">Recoverability of trade receivables
(Refer to following notes to the financial statements
~ Note 3(i)(c), Note 13 and Note 33(iii))</td></tr>
<tr><td>Key Audit Matters</td><td>How we addressed the risk</td></tr>
<tr><td>As at 31 December 2019, the Group has trade receivables of $11,171,000, net of accumulated allowance for impairment losses of $ Nil.

As at date of our report, $4,000,000 have been received. The remainder of $7,171,000 was structured as a repayment plan to be paid from September 2020 to March 2021. The management is of the view that the repayment plan is necessary to facilitate collection in view of businesses being constrained by consequences of COVID-19.

In accordance with SFRS(I) 9 Financial Instruments, the Group is required to recognize loss allowances for expected credit losses on financial assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial assets is credit-impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers.</td><td>We reviewed the Group’s estimation process used in determining the amounts of loss allowance recognised for expected credit losses on trade receivables.

Our procedures included:
• analysing the payment history of the selected customers and the receipts subsequent to the end of the reporting period;
• inquiring with management on any known disputes or adverse information about the customers’ ability to repay the outstanding amounts;
• obtaining trade receivables confirmations of the amount received subsequent to the end of the reporting period; and the outstanding balances as at the end of the reporting period and as of 5 June 2020;
• obtaining confirmations from debtors on the new repayment schedule agreements;
• obtaining the new repayment schedule agreements for the long outstanding balances and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions; and
• evaluating the adequacy of disclosures in the financial statements about the extent of estimation and judgement involved in determining impairment loss allowances.</td></tr>
<tr><td colspan="2">Disposal group classified as held for sale, and discontinued operations
((Refer to following notes to the financial statements
~ Note 3(ii)(b) and Note 16)</td></tr>
<tr><td>On 22 August 2019, the Company announced the decision of its Board of Directors to dispose of KTL Offshore Pte. Ltd. and KTL Investment Pte. Ltd. (“Proposed Disposal Group”). The negotiation with Kim Teck Leong Private Limited (the “Purchaser”) had started since financial year 2019 and the Company had entered into a Conditional Sale and Purchase Agreement (“SPA”) with the Purchaser on 22 August 2019.

The SPA was subjected to the approval of shareholders of the Company at an extraordinary general meeting (EGM) which was held on 21 January 2020. As such, in accordance with SFRS(I) 5 Noncurrent Assets Held for Sale and Discontinued Operations paragraph 8, the probability of the shareholders’ approval should be considered as part of the assessment of</td><td>Our audit procedures in this area included, among others:
• challenging the Group’s judgement on the classification of the disposal group as held for sale through an assessment of the historical turnout of the non-abstained shareholders in the past AGMs and EGMs of the Company and reviewing correspondences from the Purchaser; and
• evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements.</td></tr>
</table>

whether the sale was highly probable as at the end of the reporting period. The management were of the view that the condition in SFRS(I) 5 paragraph 8 that an “appropriate level of management” must be committed to the plan to sell those subsidiaries, was met at the end of the reporting period because the voting by the remaining non-abstained shareholders at the EGM was not substantive in nature but merely a formality. This was due to the judgement of the management as at the end of the reporting period, that the resolution relating to the Proposed Disposal Group would be able to be passed by exceeding the required 50% non-abstained shareholders threshold. Management had made the judgement based on the historical turn-out rate of the non-abstained shareholders at the past annual general meetings (AGMs) and EGMs of the Company, and also that a director of the Company who was deemed to be a non-abstained shareholder had committed to vote in favour of the resolution relating to the Proposed Disposal Group. That director indirectly held 14.89% of the issued and fully paid up share capital of the Company as at the end of the reporting period whilst the abstained shareholders held 53.2% of the issued and fully paid up share capital of the Company as at the end of the reporting period. Due to the high level of judgement involved in the assessment of whether the sale was highly probable as at the end of the reporting period; and the significant amounts of the assets and liabilities associated with the disposal group and the income and expenses presented under discontinued operations, we considered this to be a key audit matter.	

Other Matter

The financial statements of the Group for the period ended 31 December 2018 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 29 May 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express= any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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. The engagement partner on the audit resulting in this independent auditor's report is Mr Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

12 June 2020

EXTRACT OF THE NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Basis of accounting

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements are presented in Singapore Dollars ("SGD") and rounded to nearest thousand ($'000) except when otherwise indicated.

(b) Going concern

As at 31 December 2019, the Group was in a net current liability position of $15,923,000 (2018: $30,295,000), and in a net liability position of $15,899,000 (2018: $17,102,000). These conditions indicate an existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Management has prepared these financial statements on a going concern basis after taking into consideration the following factors:

(a) The Group has divested the loss-making subsidiaries such as KTL Offshore Pte Ltd ("KTLO") & KTL Investment Pte Ltd ("KTLI") after the end of the reporting period. After the disposal of KTLO and KTLI, the Group's current assets exceed its current liabilities by $4,818,000.

(b) On 4 March 2019, the Company announced the issuance of zero coupon convertible bonds amounting to $5,350,000 which is approved by SGX and shareholders on 3 June 2019. Approximately 20% of the proceeds will be used for general working capital purposes. At the reporting date, the subscriber has yet to accept the convertible loan.

(c) The Group will be able to generate sufficient operating cash flows to meet its working capital and financing obligations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities which may arise. No such adjustments have been made to these financial statements.

35. EVENTS OCCURRING AFTER BALANCE SHEET DATE

ii) The impact due to recent Covid-2019 outbreak

The Board wishes to update shareholders and potential investors of the Company of the impact on its BOP services and business in the People's Republic of China ("PRC") due to the recent COVID-19 outbreak. In view of the lockdown in PRC in response to the COVID-19 outbreak, Bluegas Private Limited ("Bluegas"), the 80%-owned subsidiary of the Group, has suspended its BOP services to its clients based in PRC since February 2020. The Covid-19 outbreak has resulted in a significant impact on Bluegas' clients in PRC, and on Bluegas itself, as its clients have been hindered from performing their obligations under their BOP service agreements due to the COVID-19 outbreak. Consequently, Bluegas has therefore received requests from its clients to delay the billing and performance of BOP services until their businesses are ready to fully operate.

In this regard, Bluegas is still in discussions with its clients on the timeline for resumption of BOP services. This depends on, inter alia, when the social and commercial situation in PRC is fully restored, and also on the cash flow situation of Bluegas' clients. Although the government in PRC has started to lift the business, transportation and movement restrictions in all major cities in PRC, return to normalcy may vary and depend on the location and specific industry. In addition, local workers who travel between provinces are still required to obtain negative COVID-19 certificates (being medical certificates evidencing that they tested negative for COVID-19) and may still be subject to a mandatory quarantine for up to 21 days.

As the Group values and practises long-term sustainable business practices, it will not hesitate to grant certain relief measures to help its clients in terms of business continuity in response to the unprecedented COVID-19 outbreak. Barring any unforeseen circumstance, the Group is of the view that the suspension of the BOP services is temporary in nature and will not affect the Group's business sustainability in the long term.

36. The reasons of high contribution with respect to Profit Before Tax of Bluegas Private Ltd ("Bluegas"), an 80% owned subsidiary of the Company are as follows:

i) Premium service fee derived from listed company's branding and well-established integrated business solution –

The Joint Venture ("JV") partner and the Bluegas service team collectively have put extensive effort to develop the Branding, Operation and Procurement ("BOP") business model and service components as well as own diverse intangible resources which are not recognised as an asset on the book of the Company, including but not limited to,

(a) branding management process, approach and promotion channels. Brand is the key asset and warranty to running business in medical related sector in PRC as the PRC consumer market is particularly brand loyal;

;

(b) centralised management and procurement system, point of sales network, technical and operating manual, maintenance procedures, internal control system, operation training process, logistic facilitates;

(c) experiences and talents of the JV partner, PRC Medical-related industry know how, management expertise, network with local government and authorities concerned, the relationship with auto vending kiosks' and products' suppliers, connection with operating points like hospitals and clinics, industry related legal knowledge.

The JV partner and Bluegas service team utilise the abovementioned resources and components to provide clients with a one-stop business solution which facilitates a client without related business knowledge or resource to participate in the medical consumable business. Moreover, the clients would not be able to set up auto vending kiosk ("AVK") business in booming sales points, i.e. at state-owned hospitals and clinics in China without Bluegas to bridge over. Therefore, our clients are willing to pay for a premium fixed service fee to outsource virtually all the core business processes to Bluegas to build passive income from their business in a hands-off way.

ii) BOP service requires low level of variable overhead and low marginal cost of service –

The performance of BOP service does not incur substantial overhead costs at Bluegas level but heavily relies on utilisation of the BOP business model, service components and other intangible resources owned by the JV partner. The continuing servicing cost on Bluegas' book comprises mainly of the fixed staff cost of the Bluegas back-office servicing team and other fixed operating expenses, while most of the variable costs, for an instance, seconded servicing staff cost, travelling and spare parts costs are to be borne by the clients pursuant to the BOP service agreement.

As such, the marginal cost to Bluegas does not materially surge in tandem with the servicing volume thanks to the centralised management system, standardised operating process as well as knowledge- and talent-intensive business nature.

iii) Bluegas is the first mover and the first of its kind in the industry –

Bluegas is the first auto vending service provider in the medical consumables and supplies market getting into the state-owned hospital and clinic sale points. In light of the recent PRC government medical industry reforms, the medical consumables and supplies market which was previously protected under the PRC government has been partially opened for entry, and hence the existence of such empty niche contributed to our high profit margin as the firstmover advantages.

Our auto vending kiosks are also the first smart platform in China integrating auto vending of medical related consumables and supplies, internet of things, digital advertisement, body measuring technology, and electronic payment. Our client can enjoy not only a stable return from the sales of medical consumables, but also various sideline income, for an instance, filter ads income and sales of big data.

Alongside the medical industry reforms in PRC resulting in the new opportunities in the medical consumable market, this explain the willingness of our clients to pay a premium service fee for our BOP service.