



KTL GLOBAL LIMITED

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

RESPONSE TO SGX-ST QUERIES – CLARIFICATION IN RESPECT OF THE ANNOUNCEMENT DATED 3 JUNE 2021 ENTITLED “PROPOSED ACQUISITION OF TIANCI AGRITECH PTE. LTD”

The Board of Directors (the “**Board**”) of KTL Global Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the following queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) to the Company in relation to “Proposed acquisition of Tianci Agritech Pte. Ltd”, and wishes to provide its responses as follows:

SGX-ST’s Query 1:

It is stated in Paragraph 2.1.2 of the 3 June 2021 Proposed Acquisition of Tianci Agritech Announcement: - “The principal business of the Target Company is the sale and distribution of fresh vegetable and fruit produce (including import and export of fruits and vegetables, and growing of leafy and fruit vegetables). Based on preliminary due diligence conducted by the Company, the Target Company has secured 2 suppliers in Malaysia for the supply of vegetable produce although, as at the date of the SPA, such import activities have not commenced given that the Target Company was only recently incorporated.”

It is stated in Paragraph 3.2.1 of the 3 June 2021 Proposed Acquisition of Tianci Agritech Announcement:- “The Proposed Acquisition allows the Group to first enter into the business of supplying and distributing vegetable and fruits produce to various consumer groups in Singapore (the “New Business”) at a relatively low initial cost taking into consideration the net asset value of the Target Company (based on its cash holdings on Completion) and the key supply contracts which have already been secured by the Target Company with suppliers of vegetable produce in Malaysia before eventually expanding into the larger market of supplying and distributing other raw food materials and/or perishable produce.”

- a. Please clarify what is the Group’s resources and expertise in the New Business?
- b. Please clarify whether the Target Company possesses the necessary licenses, permits and/or regulatory approvals for the sale and distribution of fresh vegetable and fruit produce?

Company’s response to query 1(a):

The Company’s Executive Director, Mr Chin Teck Oon’s family in Malaysia was previously involved in the farming and agriculture business including the import and distribution of vegetables and fruits. As part of his various investments, Mr Chin is also a director and investor of Ice United Sdn Bhd which holds over 900,000 square feet of fruit planation.

Accordingly, Mr Chin has many years of experience and knowledge of the industry/ New Business in addition to a strong network of suppliers and customers in the New Business.

In addition, the Group’s consultant, Mr Wu Yongqiang originally from the Shandong province of the People’s Republic of China (“**PRC**”), possesses many years of experience in the import and distribution of food products including having previously worked on collaborations with numerous established brands in the PRC in respect of the import and distribution of vegetables and fruit produce. Mr Wu also has a strong network of suppliers and customers in the New Business within PRC.

Company's response to query 1(b):

Based on the current due diligence findings on the Target Company, the Company notes that the Target Company has obtained the licences issued by the Singapore Food Agency as described below.

No.	Description of licence
1	Licence for Import, Export, and Transhipment of Meat Products and Fish Products (Licence No. IM21E0341)
2	Registration to Import Processed Food Products and Food Appliances (Licence No. IP21E1495)
3	Licence for Import/Transhipment of Fresh Fruits and Vegetables (Licence No. IH21C0123)

To the best of the Company's knowledge and subject to advice from its lawyers and applying for the requisite permits at the time of importation of fresh vegetable and fruit produce, the Company understands that by virtue of having obtained license no. 3 as listed above, the Target Company possesses the necessary licenses, permits and/or regulatory approvals for the sale and distribution of fresh vegetable and fruit produce in Singapore.

SGX-ST Query 2:

It is stated in Paragraph 2.3.1 of the 3 June 2021 Proposed Acquisition of Tianci Agritech Announcement: - "As the Target Company was only recently incorporated on 9 April 2021 and has yet to commence business activities (save for its entry into supply contracts with the 2 suppliers in Malaysia), no financial statements or management accounts have been or will be prepared on or prior to Completion. As such, the Company does not have information on the book value or the net tangible asset value attributable to the Sale Shares. Notwithstanding the above, pursuant to the SPA, the Parties have agreed that the Target Company shall have a balance of at least S\$170,000 in its bank account as at Completion."

- a. Please clarify what is meant by "the Target Company shall have a balance of at least S\$170,000 in its bank account as at Completion."?
- b. Please clarify what is the net tangible asset of the Target Company?

Company's response to Query 2(a):

The understanding between the Company and the Vendor is that the Target Company is to have an issued and paid-up capital of S\$200,000 (contributed by the Vendor) as at Completion. The consideration of S\$200,000 was agreed between the parties after taking into account amongst others, that the Target Company shall have at least S\$170,000 cash balance in its bank account as at Completion.

Company's response to Query 2(b):

Based on the latest bank account record of the Target Company, the net tangible asset of the Target Company is approximately S\$175,000.

SGX-ST Query 3:

Please provide the Board of Director's assessment as to whether it is in the interest of the Company and its shareholders to enter into the proposed acquisition of Tianci Agritech Pte. Ltd and the bases for such an assessment.

Company's response to Query 3:

As announced on 3 June 2021, the Group's existing core business has been primarily in the provision of branding, operation and procurement ("BOP") services (the "Existing BOP Business"). The performance of the Existing BOP Business however has been less than satisfactory especially with the COVID-19 outbreak which has resulted in a significant impact on the Group's customers in the People's Republic of China (the "PRC").

Given the current performance of the Existing BOP Business and as the Group is expected to report a consolidated net loss for the financial year ended 31 December 2020 (as announced by the Company on 22 February 2021), such loss being mainly attributable to, among others, the decline in service income of the Group due to the outbreak of COVID-19, the Board has assessed that there is an urgent need to inject a new revenue-generating business into the Company and therefore the Company has been looking for opportunities to diversify into other potential business areas.

The Proposed Acquisition is therefore a timely acquisition opportunity that the Board believes will enhance value for shareholders of the Company (the “**Shareholders**”) in the long run. The Board is of the view that undertaking the Proposed Acquisition expeditiously will be in the best interests of the Company and the Shareholders due to the benefits of the Proposed Acquisition set out below.

The Proposed Acquisition allows the Group to first enter into the business of supplying and distributing vegetable and fruits produce to various consumer groups in Singapore (the “**New Business**”) at a relatively low initial cost taking into consideration the net asset value of the Target Company (based on its cash holdings on Completion) and the key supply contracts which have already been secured by the Target Company with suppliers of vegetable produce in Malaysia before eventually expanding into the larger market of supplying and distributing other raw food materials and/or perishable produce.

Based on preliminary research conducted, the Company’s management has observed that the food demand and consumption in Singapore has been on a general uprising trend, and the Group expects such trend to continue to increase albeit the rate of increase potentially varying over periods of time. The expected increase in demand in food consumption in Singapore is likely to increase demand for raw and/or perishable food products (such as vegetable and food produce and livestock) which may in turn allow the Group to tap into the expanding consumer market.

Due to Singapore being a small country with limited resources and notwithstanding existing efforts to boost local food production, a majority of raw food material such as vegetables and food produce as well as livestock are still imported from overseas. Overseas suppliers may also present cheaper alternatives than local food produce. This presents an opportunity for the Group to keep its costs low and compete with other similar local suppliers.

The Proposed Acquisition will allow the Group to diversify its business risks (in respect of both its customer base and supply chains) beyond the Group’s Existing BOP Business which is centrally focused on customers in the PRC. In particular, the Company expects the potential customer base for the New Business to constitute different types of customers with varying purchasing power and needs. Such consumers may comprise not only individual consumers but also local wholesalers, restaurants and supermarkets.

To expand its customer base, the Group may also leverage on cooperation with e-commerce distributor(s) of fresh produce including fresh vegetables and fruits which distribute to retailers, restaurants, hotels and individual households, and utilise their ecommerce business model to reach out to a wide range of consumers.

Based on the above, the Directors are of the view that entry into the Proposed Acquisition is in the best interests of the Company and its shareholders.

BY ORDER OF THE BOARD

Liu Changsheng
Chief Executive Officer
17 June 2021