



KTL GLOBAL LIMITED

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

**RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) IN RELATION TO THE ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “**Board**”) of KTL Global Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the annual report of the Company for the financial year ended 31 December 2020 (the “**FY2020 Annual Report**”) published on SGXNet on 9 September 2021. The Board would like to provide responses to the questions received from the Securities Investors Association (Singapore) (“**SIAS**”) as follows:

Q1. On 17 August 2021, the company announced a voluntary trading suspension that followed a trading halt (10 August 2021) and an extension of the trading halt (15 August 2021) in order to “prepare and finalise the release of an announcement in relation to a report received by the audit committee from its statutory auditors”.

Ten days later, on 27 August 2021, the company published a report from the auditors regarding the discovery of potential fraud in light of certain alleged unusual activities in trade receivables involving the company’s subsidiary, Bluegas Pte Ltd. The announcement can be read from SGXNet at the following URL:https://links.sgx.com/FileOpen/Ann_Auditors_Report_on_Fraud.ashx?App=Announcement&FileID=681585

The auditors have also included a disclaimer of opinion in their independent auditor’s report on pages 54 to 56 of the annual report. The basis for disclaimer of opinion are “Trade receivables and corresponding revenue” and “Allocation of dividends and profits/losses of Bluegas between the company and the non-controlling interest of Bluegas”.

(i) **Would the board help shareholders understand the current status (including the management team) of Bluegas? Bluegas has been the main revenue contributor of the group in the past 2 years. Does the current board/management have possession and is in control of Bluegas’ bank tokens, company seals and all its legal documents?**

Company’s response:

In view of Covid-19 and the disruptions in businesses in China, the BOP business has been suspended since January 2021. There were no cash receipts of Bluegas during 2021. As mentioned in the Company’s announcement dated 26 August 2021, the safeguards previously implemented in respect of operating Bluegas’ bank accounts were only applicable before April 2021 as its bank accounts have been cancelled/closed since April 2021. The Group has ceased and not undertaken any further BOP business through Bluegas.

The current board/management have possession and is in control of Bluegas’ company seals and all its legal documents.

- (ii) **What were the branding, operation and procurement (“BOP”) services provided by Bluegas? Other than the former CEO Mr Liu Changsheng, what was the level of oversight by the board?**

Company’s response:

The nature of the existing BOP business is in the provision of services. It is an “asset-light” type of business and there is no capital expenditure, inventory and other “heavy” assets. Bluegas was providing keyman branding, operation and procurement advice to improve amongst others, clients’ enterprise resource planning and standard operating procedures. Specifically, the BOP services comprise of:

- (i) Branding - branding management process, approach and promotion channels;
- (ii) Operation - centralised management system and operation, training and supplying of engineering, finance, management, technical support and maintenance resources to achieve higher productivity and profitability; and
- (iii) Procurement - search and secure suppliers of equipment and merchandise and services to achieve cost savings through bulk purchasing

Mr Liu Changsheng provided quarterly updates on the business of Bluegas to the Board including but not limited to updating the board at meetings and/or via emails on the progress. Besides meetings to update on BOP business, the Board communicated with management on an ad-hoc basis when significant issues about BOP business occurred through emails and telephone conferences.

- (iii) **What were the internal controls put in place by the company at Bluegas to ensure that proper accounting records are maintained, operational controls are adequate and business risks are suitably managed?** It is noted that the company and Bluegas have been served with an originating summons taken out by a company incorporated in the United States of America in relation to supply of surgical gloves, something that the company and Bluegas have not ventured to.

Company’s response:

The management has designed and implemented relevant policies and procedures such as operational and financial reporting manual for major business processes to ensure that proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The executive director and senior management are highly involved in daily operation and review the design and operating effectiveness of the Group’s businesses.

With regard to the trading suspension, the company has stated that the trading suspension will remain in place until, inter alia, the independent reviewer has completed the review and its comments (if any) arising from the review have been adequately addressed by the company.

- (iv) **What is the progress made by the reviewer (Deloitte & Touche Financial Advisory Services Pte Ltd) in its independent review?**

Company's response

The independent reviewer Deloitte & Touche Financial Advisory Services Pte Ltd (“DTFAS” and/or “IR”) was appointed only on 14 August 2021. The review is still underway.

- (v) **How long will the independent review take?**

Company's response:

Based on the preliminary estimate of the IR and subject to progress of the independent review, the completion of the review is estimated to take between 3-5 months.

- (vi) **What is the current relationship with the former executive director and former chief executive officer, Mr Liu Changsheng? Is Mr Liu Changsheng contactable?**

Company's response:

Since Mr Liu Changsheng has tendered his resignation from all positions in the Group with effect from 31 July 2021, there is currently no employment relationship between the Group and Mr Liu, but Mr Liu has expressed his willingness to extend assistance, if required, in relation to information pertaining to the transactions and businesses of Bluegas.

Q2. As disclosed on page 35, there have been several changes to the board, with the cessation of four directors since June 2020. Other than Mr Chong Eng Wee who was first appointed on 1 August 2019, the other directors on the board were appointed between June 2020 and April 2021. The profile of the directors can be found on pages 9 and 10 of the annual report. Additional information on directors seeking re-election can be found on pages 118 to 125.

Mr Chin Teck Oon was appointed as the executive director in April 2021 and as the chief executive officer on 16 August 2021. He is responsible for evaluating and exploring new businesses of the group, executing the group's strategies and overseeing the group's day-to-day operations and administrative matters.

- (i) **Can the board help shareholders understand Mr Chin Teck Oon's experience in leading a listed company? In particular, what is Mr Chin Teck Oon's experience in risk management, internal controls and compliance?**

In the past three months, the company has announced several new ventures and corporate actions, including:

- June 2021: Acquisition of Tianci Agritech, which has its principal business in sale and distribution of fresh vegetable and fruit produce
- June 2021: Convertible loan agreement for up to \$2 million, convertible at 6.2 cents per new conversion share
- June 2021: Brand management service agreement with Guangdong X Diamond Technology Co., Ltd

- July 2021: Proposed acquisition of Ebuy Pte. Ltd
- July 2021: Placement agreement for \$3.09 million
- July 2021: MOU to acquire industrial property
- July 2021: Exclusive distribution and procurement agreement with Jining Fuyuan Fruit and Vegetable Co., Ltd
- August 2021: Strategic collaboration framework agreement with Guangdong X Diamond Technology and others
- August 2021: Exclusive agency agreement to distribute Tai Xiang brand products
- August 2021: Strategic cooperation agreement with Shuifa Haohai (Shandong) Supply Chain Co., Ltd
- August 2021: Strategic cooperation framework agreement with Quanying (Fujian) Technology Co., Ltd to jointly develop aquatic product supply chain in Singapore

Company's response:

Mr. Chin Teck Oon has no prior experience in leading a listed company. But he is an existing Executive Director of the Company and has been leading the management team in the interim period subsequent to the resignation of Mr Liu ChangSheng as CEO. In addition, Mr Chin possesses the requisite experience and capabilities in particularly the sale and distribution of fresh vegetable and fruit produce (a new key business area for the Company) to drive the Company's business and execute the Group's strategies.

- (ii) **For the benefit of new and long-standing shareholders, can the board/management provide shareholders with a holistic overview of the group's new strategies (including the business model) and its growth plans moving forward?** The group has disposed of the offshore business and stopped its BOP services.

Company's response:

The Company has been proactively looking for opportunities to diversify into other potential business areas including the acquisition of a company principally engaged in the sale and distribution of fresh vegetable and fruit produce (including logistics, import, and export of fruits and vegetables, and growing of leafy and fruit vegetables) as announced on 3 June 2021. The proposed acquisition of Ebuy Pte Ltd was intended to complement and as part of expansion of the Company's plans to further grow the sale and distribution business.

- (iii) **What was the role of the board in formulating the group's growth strategies?**

Company's response:

While the CEO is managing the Company on a day-to-day basis and developing business strategies, the Board's role in assessing such strategies include assessing the risks and benefits of such business strategies and monitoring the implementation of such strategies, and evaluating on a macroeconomic view, global long-term growth trends and the external political forces with the primary objective of protecting the Company's and its shareholders' interests. With the pace of change in the business environment, the Board continually review and re-evaluate the Company's business strategies and the underlying strategic assumptions.

(iv) How will the group be able to fund its activities?

Company's response:

The Board has assessed that there is an urgent need to raise funds and look for opportunities to inject new revenue-generating businesses into the Group. The Group has recently taken the following actions to (i) operate as a going concern; and (ii) meet its short-term obligations as and when they fall due:

- a) Incorporated a new subsidiary with principal activities of other investment holdings and value added logistics providers including supply chain services;
- b) entered into a convertible loan agreement with loan facility of up to S\$2,000,000;
- c) entered into a sale and purchase agreement to acquire a company with principal business of sale and distribution of fresh vegetable and fruit produce (including import and export of fruits and vegetables, and growing of leafy and fruit vegetables); and
- d) announced a placement to raise up to S\$3.09 million from investors

(v) What was the level of due diligence carried out by management and by the board given that it has signed several agreements in the past three months with various partners in different areas? Is there sufficient management bandwidth to allow the group to successfully execute on all its plans?

Company's response:

In order to diversify into other potential business areas, the Company's plan included the acquisition of a company principally engaged in the sale and distribution of fresh vegetable and fruit produce (including logistics, import, and export of fruits and vegetables, and growing of leafy and fruit vegetables). Along with the acquisition, the Company shall acquire experienced staff to manage the business. In addition, the various agreements and MOUs entered into by the company are all related to the sale and distribution of fresh produces and are intended to capitalise the Company's partners' strengths to further grow and develop the businesses.

(vi) What is the synergy, if any, between diamond and agriculture? Will the group be spread too thin as it diversifies into too many businesses?

In the consolidated statement of changes in equity (page 59), it can be seen that the accumulated losses attributable to equity holders of the company amounted to \$(34.7) million.

Company's response:

The Diamond business is under the Company's current ongoing business, where it is "asset-light" type of business and there is no capital expenditure, inventory and other "heavy" assets. The cash flow that is generated will improve the current working capital of the Company. The Company is diversifying into the food produces supply chain and logistics business (a new key business area) and this would become the Company's main source of business headed by the CEO.

- (vii) **What safeguards have been put in place by the board to ensure that the new/proposed businesses lead to long-term value and returns for all shareholders, especially minority shareholders?**

Company's response:

The Board had evaluated the risks and benefits of the new businesses entered into and assessed management's skills, knowledge and expertise. In addition, an advisor with vast experience, expertise and business connections in the food industry, both in Singapore and China was appointed to bring to the Company a host of business opportunities and connections hence supporting the growth of the Company as a whole. The Board believes that the new businesses will broaden its business scope and diversify the Group's business direction. The new businesses are expected to help the Group to capitalise growth opportunities and in turn bring longer term value and returns to the shareholders.

- Q3.** At the annual general meeting scheduled to be held on 24 September 2021, Mr Chng Hee Kok will cease to hold office in accordance with Article 114 of the company's constitution and will be seeking his re-election. As disclosed in the Notice of annual general meeting, if re-elected, Mr Chng Hee Kok will remain as the non-executive chairman and lead independent of the company, chairman of the nominating committee and a member of the audit, remuneration and performance share scheme committees.

On page 29, it is shown that Mr Chng Hee Kok is also a director in seven other listed companies, namely:

- Metech International Limited
- Ellipsiz Ltd
- Full Apex (Holdings) Limited
- Luxking Group Holdings
- United Food Holdings Limited
- The Place Holdings Ltd
- Blackgold Natural Resources Limited, and
- an advisor to Samudera Shipping Line Ltd.

Some of these companies are in transition and would require significant time commitment by the directors. In total, Mr Chng has 8 directorships, including sitting on the board of a company which is facing a winding up petition and another that was issued a Notice of compliance by SGX in December 2019, among others.

- (i) **Can Mr Chng Hee Kok help shareholders understand, if re-elected, how he is able to devote sufficient time, energy and attention to matters of the group, especially as the group is undergoing an independent review and diversifying to new businesses?**

Company's response:

On page 29 of the annual report, it was indicated that Mr Chng Hee Kok ("Mr. Chng") is a retiree and does not have any principal commitments. In addition, Mr Chng is able to tap on his many years of experience as a director of listed companies. Based on his good attendance, candour and active participation in the Company's Board and Committee meetings, Mr Chng had proven his ability to devote appropriate time, energy and attention to the Company's affairs including the independent review and the diversification to new businesses.

In addition, shareholders are asked to approve the payment of the sum of up to \$255,000 as directors' fees for the financial year ending 31 December 2021, such fees to be paid quarterly in arrears. This is a substantial increase from the amount paid to directors in FY2020 of \$163,000.

- (ii) **For better transparency and accountability, can the board disclose the individual amounts paid to the directors?**

Company's response:

The directors' fees were increased due an increased in the number of non-executive directors from 3 to 4 non-executive directors on the Board, including overlapping periods from outgoing director. The base directors' fees remained unchanged. The increased in the number of non-executive director is to broaden the breadth to the Board. The Board is of the view that full disclosure of the specific remuneration of each individual director 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 may have on the Group.

Provision 3.3 of the Code of Corporate Governance states that the board appoints a lead independent director to provide leadership in situations where the chairman is conflicted, and especially when the chairman is not independent. The company has stated the following on page 25:

KTL Corporate Governance Practices

The independent element was further strengthened by the appointment of Lead Independent Director. Mr. Chng Hee Kok is the Lead Independent Non-Executive Chairman to co-ordinate and to lead the independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is available to shareholders and stakeholders of the Company with concerns which they cannot resolve through the normal channels of the CEO and the Management.

- (iii) **Can the board/director help shareholders understand the reasons and the necessity to designate Mr Chng Hee Kok as both "lead independent director" and "independent chairman"?**

Company's response:

When Mr Chng was appointed to the Board on 24 July 2020, he took over from the resigning Non-Executive Chairman and Lead Independent Director, Mr Lim Yeow Hua @Lim You Qin on 29 June 2020. At that appointment date, Mr Chng was therefore designated as Non-Executive Chairman and Lead Independent Director. The reasons why the Company retained the designation was to further enhance the independent element and to lead the independent Directors to provide a non-executive perspective and to contribute well balanced views and opinions on the Board. As the CEO and the Chairman are not the same person and there is currently a majority of independent and non-executive directors, the Company may consider to re-designate Mr Chng's appointment at a later juncture.

On 15 September 2021, the company announced that there have been adjustments made to the unaudited financial statements (first announced on 24 February) following the finalisation of audit by the independent auditors.

The announcement of the discrepancies between the unaudited and audited accounts comes nearly 7 months after the announcement of the unaudited financial statements, and 6 days after the release of the company's annual report on 9 September 2021.

Rule 704(6) of the SGX Listing rules states that an issuer must immediately announce any material adjustments to its preliminary full-year results made subsequently by auditors if an issuer has previously announced its preliminary full-year results.

- (iv) Can the board, especially the independent chairman and lead independent director, help shareholders understand if the board and the senior management are familiar and will comply with the SGX listing rules?**
- (v) What are the safeguards that are put in place to ensure that the company complies with the listing rules in a timely manner?**

Company's response:

Due to various audit issues and potential fraud findings during the course of audit work, the auditors confirmed and signed off its audit opinion of the audited financial statements of the Company and the Group for financial year ended 31 December 2020 only on 30 August 2021. The delayed confirmation of the audit opinion has resulted in postponement of the announcement of discrepancies between the unaudited and audited accounts by nearly 6 months

After the annual report of the Company was released on 9 September 2021, some time was required for the Company to summarise the discrepancies between the unaudited and audited accounts and explain the reasons for the discrepancies. Therefore, the announcement of discrepancies between the unaudited and audited accounts was made 6 days after the release of the annual report.

The management understands that it is critical to provide necessary and material information to the Board in a timely manner for the Board to discharge its duties in accordance with the relevant listing rules and code of corporate governance. The Board and the management are familiar and always strive to comply with the listing rules to provide material information to the public in a timely, accurate and comprehensive manner. However, the audit issues and potential fraud findings discovered during the course of audit work were unexpected.

The Board takes efforts to ensure that the management, especially senior management who handle and/or have control of material financial and operational information, understand the applicable listing rules and provide all necessary information to the Board so as to announce such information to the public in a timely manner. This can be achieved by making the relevant management staff to attend relevant training seminars and professional development programs.

BY ORDER OF THE BOARD

Chin Teck Oon
Executive Director and Chief Executive Officer
24 September 2021