



KTL GLOBAL LIMITED

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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors (the “**Board**”) of KTL Global Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to announce that the Company’s independent auditors, Messrs RT LLP, had included a disclaimer of opinion in their Independent Auditors’ Report in relation to the audited consolidated financial statements of the Group (the “**Audited Financial Statements**”) for the financial year ended 31 December 2020.

A copy of the Independent Auditor’s Report and extract of the relevant notes 2.1(b), 11, 18(c), 19 and 29B of the Audited Financial Statements are annexed to this announcement.

The Independent Auditors’ Report, together with the Audited Financial Statements, will form part of the Company’s annual report for FY2020 (the “**2020 Annual Report**”) which will be released separately in due course. Shareholders of the Company are advised to read this announcement in conjunction with the 2020 Annual Report.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants and other professional advisers.

By Order of the Board

Chin Teck Oon
Executive Director and Chief Executive Officer

31 August 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KTL GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of KTL Global Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, 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 and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(I) Trade receivables and corresponding revenue

1. During our audit, we noted the following with regards to trade receivables and the corresponding revenue during the current financial year:
 - (a) Bluegas Private Ltd ("Bluegas") had contracted with four Branding, Operation and Procurement ("BOP") customers in the People's Republic of China ("PRC"). The contracts were signed by Mr. Liu XiaoQing ("LXQ"), the Chief Executive Officer of Shenzhen Green Leopard Medical Technology Co., Ltd.. We were not able to obtain satisfactory explanations as to why LXQ was able to act on behalf of the four BOP customers. We were not able to ascertain the authority under which LXQ signed on behalf of the BOP customers. Consequently, there could be related party relationships and arrangements, directly or indirectly, that are beyond the scope of our audit procedures, which would require further investigation.
 - (b) Purported collections during the year from the four BOP customers were received through third-party remittance firms in multiple tranches without any written evidence of whom the payments were from or what the payments were for. The determination of which debtor's accounts were to be credited with the payments was directed by LXQ to Bluegas. Firstly, it is not common that a party outside the Company would give directions as to who should be credited with incoming funds. Secondly, we were not able to validate the basis of allocation by LXQ against accounting records. Consequently, we were not able to match receipts to specific invoices or trade debtors. Without evidence to support and trace the source of funds, purpose of funds and proper allocation of funds, these movements of funds need to be investigated further. They do not appear to be borne out of normal course of business, at least to the extent of the revenue generation activities in the year under audit.
 - (c) As stated in Note 29B to the financial statements, on 19 May 2021, the Company and one of its subsidiaries, Bluegas, together with Mr. Liu ChangSheng were served with an originating summons taken out by the solicitors of Lawrence Group Inc, a company incorporated in the United States of America, in relation to the supply of surgical gloves.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KTL GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Basis for Disclaimer of Opinion (Continued)

(I) Trade receivables and corresponding revenue (Continued)

- (d) Related to (b) above, we noted that the accounting treatment of the receipts by Bluegas of an aggregate amount of US\$700,000 directly and indirectly from Lawrence Group Inc from September 2020 to November 2020, was irregular. These monies were used to partially offset the balances of the four trade debtors even though the remittances were clearly done by a non-PRC entity from the United States of America and were in United States Dollars. Bluegas continued to record these amounts as trade receivables collections in the accompanying financial statements of the Group even after it was made aware by Lawrence Group Inc through the originating summons on 19 May 2021 that it had made the remittances on the understanding it was for a purported purchase of surgical gloves. To our understanding, Bluegas is not in the production or sales of surgical gloves.
 - (e) Audit confirmations of balances as at 31 December 2020 with the four trade debtors were provided by the management of Bluegas to us instead of the trade debtors replying to us directly. Our attempts to contact the four trade debtors to verify those confirmations were unsuccessful. On 13 August 2021, we received confirmations from two trade debtors through emails which we were not able to verify the authenticity. We were also unable to perform alternative audit procedures to verify the existence and valuation of those trade debtors.
2. Consequently, we were unable to satisfy ourselves in respect of:
- (a) the existence; rights and obligations; accuracy valuation and allocation; and classification of trade receivables of S\$3,959,000 and allowance for doubtful debt of S\$3,959,000 (Note 11 to the financial statements) and their related disclosures in the financial statements as at 31 December 2020; and
 - (b) the occurrence of revenue of S\$1,961,000 (Note 19 to the financial statements) and its related disclosures in the financial statements for the financial year ended 31 December 2020.

(II) Allocation of dividends and profits/losses of Bluegas between the Company and the non-controlling interest ("NCI") of Bluegas

1. We refer to Note 18(c) to the financial statements which describes the special arrangement with the NCI of Bluegas with respect to the ratios of allocation of performance dividends of Bluegas between the Company and the NCI of Bluegas.
2. We noted that the allocation of profits/losses of Bluegas between the Company and the NCI of Bluegas follows the same ratios as that for the performance dividends.
3. As we were unable to obtain satisfactory explanations from the management of Bluegas, we were unable to understand the rationale for implementing the aforesaid special arrangement and whether it was done in the best interest of equity holders of the Company or otherwise.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1(b) in the financial statements. As at 31 December 2020, the Company was in a net current liability position and net liability position of S\$87,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KTL GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), 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 responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by a subsidiary corporation, Bluegas Private Ltd incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The accounting and other records required by the Act to be kept by the other subsidiary corporation, Kimtech Private Ltd incorporated in Singapore of which we are the auditor 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. New Boon Poh.

RT LLP

Public Accountants and
Chartered Accountants
Singapore

30 August 2021

KTL GLOBAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2.1 Basis of preparation

(b) Going concern

As at 31 December 2020, the Company was in a net liability position of \$77,000 (2019: net asset position of \$ 497,000). These conditions indicate an existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding the above, the Company's financial statements have been prepared on a going concern basis as the management is of view that the Company will be able to continue as a going concern with the proceeds from placement of shares amounting to approximately \$3 million.

If the Company is unable to continue in operational existence for the foreseeable future, the Company 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 Company 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.

11. TRADE RECEIVABLES

	Group	
	As at 31 Dec 2020 \$'000	As at 31 Dec 2019 \$'000
Trade receivables	3,959	11,171
Less: Allowance for doubtful debt	(3,959)	-
	<u>-</u>	<u>11,171</u>

Trade receivables are non-interest bearing and are generally on 30 days (2019: 30 days) term. Trade receivables are not secured by any collateral.

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL:

	Group	
	As at 31 Dec 2020 \$'000	As at 31 Dec 2019 \$'000
At beginning of the year	-	-
Charged during the year	3,959	-
At end of the year	<u>3,959</u>	<u>-</u>

18. RESERVES

(c) Dividends

During financial year ended 31 December 2019, the Company entered into a special arrangement with the non-controlling interest (“NCI”) of one of its subsidiaries, Bluegas Private Ltd., in respect of the entitlement of the performance dividends of Bluegas Private Ltd. Accordingly, the entitlement and allocation of the performance dividends between the Group and the non-controlling interest are as follows:

<u>Basis</u>	<u>Entitlement of performance dividends</u>
If the annual audited net profit after tax (“PAT”) in respect of any financial year:	
- is less than or equal to \$5,000,000	1 st Tier Performance Dividends
- is more than \$5,000,000 but less than or equal to \$20,000,000	1 st and 2 nd Tier Performance Dividends
- is more than \$20,000,000	1 st , 2 nd and 3 rd Tier Performance Dividends

<u>Entitlement of performance dividends</u>	<u>Allocation</u>
1 st Tier Performance Dividends	At least seventy-five (75%) of PAT shall be distributed amongst the shareholders on a basis of : (i) the Company – 20%; and (ii) NCI – 80%
2 nd Tier Performance Dividends	At least seventy-five (75%) of the excess of PAT over \$5,000,000 (such excess shall not exceeding \$20,000,000) shall be distributed amongst the shareholders on a basis of : (i) The Company – 50%; and (ii) NCI – 50%
3 rd Tier Performance Dividends	At least seventy-five (75%) of the excess of PAT over \$25,000,000 shall be distributed amongst the shareholders on a basis of : (i) The Company – 80%; and (ii) NCI – 20%

The following exempt (one-tier) dividends were declared and paid by the Group:

	<u>Group</u>	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Paid by Bluegas Private Ltd to NCI		
<i>In respect of financial year ended 31 December 2019:</i>		
1 st Tier Performance Dividends		4,000
2 nd Tier Performance Dividends	1,000	281
<i>In respect of financial year ended 31 December 2020:</i>		
1 st Tier Performance Dividends	320	
\$13,200 per ordinary shares (2019: \$42,810)	<u>1,320</u>	<u>4,281</u>

19. REVENUE

	Group	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue from BOP services	1,961	13,686
Timing of transfer of good or services:		
Over time	1,961	13,686
	1,961	13,686

(a) Contract liabilities

	Group	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Contract Liabilities		
BOP services contract	-	2,910
Total contract liabilities	-	2,910

29. EVENTS OCCURRING AFTER BALANCE SHEET DATE**B. Receipt of originating summons**

On 21 May 2021, the Company announced that together with its subsidiary, Bluegas Private Limited, and Liu Changsheng, the Company's Executive Director and Chief Executive Officer (who has subsequently resigned with effect from 31 July 2021), have on 19 May 2021 been served with an originating summons (the "Originating Summons") taken out by the solicitors of Lawrence Group Inc, a company incorporated in United States of America, in relation to supply of surgical gloves. The case is currently in the procedural stage and has not been tried thus far on its substantive legal merits. As the Originating Summons have neither been tried nor alleged damages quantified, it is premature to make a provision in the financial statements.