

**KTMG LIMITED**

(FORMERLY KNOWN AS “LERENO BIO-CHEM LTD.”)



CONSOLIDATION **20**  
FOR **FUTURE GROWTH** **18**  
ANNUAL REPORT



## **KTMG LIMITED (FORMERLY KNOWN AS “LERENO BIO-CHEM LTD.”)**

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST and the Sponsor assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

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# CORPORATE PROFILE

The success of the KTMG Limited today can be attributed to the efforts of Mr Lim Siau Hing ("Mr Lim") and his wife, Mrs Lim. Back in 1977, Mr Lim and a few business partners set up Minat Industries Sdn Bhd, a fabric dyeing factory, in Batu Pahat, Johor. After a few years of operation in 1981, Mr Lim decided to leave Minat Industries Sdn Bhd to set up a fabric knitting factory, Knit Textiles Industries Sdn. Bhd, with Mrs Lim and a business partner. Whilst operating this factory, both Mr and Mrs Lim gained invaluable knowledge and experience of the apparel industry, building up a network of contacts.

Recognising the growth potential of the apparel manufacturing industry in Malaysia, both Mr and Mrs Lim decided to move away from fabric knitting into the manufacture of apparels which led to them setting up a new company in 1988, Knit Textiles Mfg Sdn. Bhd ("KTM"). KTM was an apparel manufacturing factory in a small shop house in Batu Pahat. The primary focus of KTM was to manufacture general apparels for export, mainly to Europe. Under the leadership of both Mr and Mrs Lim, and with the strong network that they have built up, KTM eventually expanded its export markets to include the United States of America ("US") and Canada.

In 1992, KTM achieved sales revenue of more than RM13.0 million despite having been in operation for only around four (4) years. In the following year, KTM became the supplier of UK-Based retailer of clothing and homeware, Matalan Retail Limited, who is now a major customer of KTM after twenty-five (25) years of cooperation.

During the Asian financial crisis in 1997, KTM was able to maintain healthy sales and continued operations without being adversely affected due to the fact that its customers were mainly from countries outside Asia and aided by the depreciation of the Malaysian Ringgit against the US dollar, which was the key currency adopted in KTM's transactions with its customers. KTM expanded its operations the following year and moved out of its shop house premises to a bigger manufacturing facility to carry out contract manufacturing of apparels.

In 2002, Mr Lim Vhe Kai, son of Mr. Lim, joined KTM with the aim of furthering KTM's growth and expansion. Mr Lim Vhe Kai focused on shifting KTM away from the traditional business model of manufacturing apparels based on customers' specifications, towards the provision of value-added services that involved

KTM collaborating with customers on product design by providing creative and functional fashion input. This has since evolved into the co-creation business model.

In 2003, KTM's revenue had grown to more than RM40.0 million. In that same year, KTM acquired a piece of land in Batu Pahat, with a land area of more than 14,000 sq. m for the construction of a new and much bigger factory premises to expand its production capacity.

In 2005, the textile industry in Malaysia was adversely affected when quota restrictions on global trade in textiles and clothing were abolished pursuant to the World Trade Organisation Agreement on textiles and clothing. Before then, there were quotas limiting the import of textiles and clothing from developing countries into more developed countries, including countries like Europe, the US and Canada. With the liberalisation of trade in textiles and clothing, suppliers from any country were able to enjoy access to these developed markets without facing high export quota charges. This effectively resulted in increased competition for Malaysian suppliers, particularly from suppliers operating in lower costs developing countries.

In 2006, notwithstanding the increased competition, KTM continued with its expansion plans and relocated its apparel manufacturing operations into the existing manufacturing facility. At that time, the factory premises had a built-up area of more than 9,000 sq. m and a total of ten (10) production lines. These new premises eventually became the corporate headquarters of the Group when it expanded its operations into Cambodia.

In 2007, due to the increased demand for embroidery in apparels, KTM set up Ocean Art and Embellishment Sdn. Bhd. ("OAE") as a wholly-owned subsidiary to provide embroidery services to KTM and other apparel manufacturers in Batu Pahat. Due to a gradual decline in demand for embroidery over the years, OAE's business eventually ceased in 2015 and its embroidery operations were shifted to KTM.

In 2009, KTM expanded its functions to provide design services to its customers by introducing a co-creation business model, under which it will work closely with its customers in the initiation, concept and design, and manufacturing, of apparels.

## CORPORATE PROFILE

In that same year, KTM also began outsourcing the production of some apparel products to third party contract manufacturers in Cambodia. This was due to lower production costs in Cambodia as well as zero tariffs for apparels imported into Europe and Canada from Cambodia.

In 2011, the Group started to move away from the manufacturing of general apparels to focus on a niche segment of apparels, namely nightwear, lounge wear, casual wear and plus sized apparels for men, women and children. The Group believed that the demand for such apparels are usually less affected by seasonality compared to other apparels.

In that same year, recognising the labour-intensive nature of the sewing of fabric components and the availability and lower costs of manpower in Cambodia, Moon Apparel (Cambodia) Co., Ltd ("Moon Cambodia") was set up to operate a new apparel manufacturing facility in Phnom Penh, Cambodia. The new facility has a built-up area of more than 3,000 sq. m and can accommodate up to a total of eight (8) production lines. The establishment of Moon Cambodia has allowed the Group to increase its production capacity and capitalise on the production cost savings in Cambodia.

In 2013, building on the success of the Moon Cambodia facility, Callisto Apparel (Cambodia) Co., Ltd. ("Callisto Cambodia") was set up to operate another new apparel manufacturing facility in Phnom Penh. This new facility is much bigger than the Moon Cambodia facility, and occupies a built-up area of more than 11,000 sq. m. It currently has nineteen (19) production lines in operation and can accommodate up to a total of twenty-one (21) production lines.

In 2014, at the request of the Group's major US customers, Xentika Limited ("Xentika") was incorporated in Seychelles to undertake sales to US customers pursuant to the "first sale" program, which enables the Group to remain competitive through lower import costs for its US customers.

In 2015, with a view of raising efficiency and productivity, the Group implemented the Euratex automated apparel hanger conveyor system into its sewing process at the Group's manufacturing facility. The Euratex system is a computerised system that tracks and records every stage of production in real time. The Euratex automated apparel hanger conveyor system was subsequently also implemented partially in the Callisto Cambodia manufacturing facility in 2016.

In 2016 and 2017, OAE purchased two (2) plots of land with a total area of more than 21,000 sq. m in Batu Pahat with a view to expand the business upstream into the knitting, dyeing, finishing and printing of fabric. Fabric is the key raw material for the production of apparel products. By producing its own fabrics, the Group aims to have better control over its supply of raw materials and their quality to meet customer requirements.

In 2017, OAE commenced construction of the new fabric dyeing facility on one of the two (2) plots of land acquired. Construction is expected to be completed and the dyeing and finishing operations are expected to commence in April 2019.





# CHAIRMAN'S MESSAGE

THE BOARD TAKES THIS OPPORTUNITY  
TO THANK OUR SHAREHOLDERS FOR  
THEIR CONTINUED CONFIDENCE AND  
ENCOURAGEMENT AND TO THE MANAGEMENT  
AND STAFF FOR THEIR TRUST AND LOYALTY



# CHAIRMAN'S MESSAGE

## DEAR SHAREHOLDERS,

We are pleased to publish KTMG Limited's ("KTMG") annual report for the financial year ended 31 December 2018 ("Annual Report") following the completion of the reverse takeover on 18 February 2019.

KTMG is an established apparel contract manufacturer specialising in nightwear, lounge wear, casual wear and plus sized apparel for all ages. In 1988, KTMG was founded as a small shop lot production and has since grown to become a public-listed company with more than 30 years of experience in apparel manufacturing. Today, we have a total of 35 production lines in 3 facilities in Batu Pahat, Johor, Malaysia and Phnom Penh, Cambodia.

Throughout the years, we have established strong consumer relationships. Some relationships, such as that with Matalan Retail Limited of the United Kingdom ("UK"), have lasted for more than 25 years.

This is due to our "Co-Creation Business Model", which allows the firm to address to consumers' needs and adds value by collaborating closely with consumers on the product initiation process. This enables the Group to provide the consumers with the right product at the right time at the right costs, making us proud suppliers to our consumers in Europe, the United States of America and the UK.

## Year In Review

KTMG's goal in the long-run is to become an important player in the global economy. In working towards this goal, we have achieved tremendous growth, earning a revenue of RM218 million for the financial year ended 31 December 2017 ("FY2017"), with a compounded annual growth rate of 24.7% since 2015 as disclosed in the Circular dated 21 December 2018.

On 29 September 2017, Lereno Bio-Chem Ltd. announced that it had entered into an option agreement with Knit Textile and Apparel Pte Ltd ("KTA") to acquire 100% of the issued ordinary shares in the capital of KTA. The exercise was approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 December 2018 and completed on 18 February 2019.

We have chosen to list on the Catalist Board of the SGX-ST due to Singapore's excellent reputation as a global financial hub with attractive infrastructure for financial services. Through this listing, we hope to reach out to international business partners as well as investors to empower us in our next phase of growth.

## Growth Prospects

We will continue to foster long-term relationships with our existing consumers, including Matalan Retail Limited and Bluestem Brands, Inc., with the intention to streamline their number of suppliers and focus on growing their business relations with a few major suppliers.

KTMG also intends to shift our focus to niche market segments such as seniors and plus-sized consumers. Statistics from the US Census Bureaus has shown that in 2000, the number of residents aged 65 and above is 35.0 million and in 2017 the number increased to 50.9 million. It is expected to increase from 49.2 million in 2016 to around 94.7 million in 2060. Hence, by emphasising on these market segments, KTMG will potentially have access to a larger consumer market. Please refer to Circular dated 21 December 2018 for more information.

Additionally, KTMG intends to set up sales and marketing offices in Hong Kong, and eventually, other major cities such as New York. There are also plans to extend our customer base to Australia. This would enable the Group to optimise production capacity and increase sales during its non-peak months of January to April, as currently, most of the Group's consumers are from the northern hemisphere.

KTMG will also continue to strive to improve its operational efficiencies through greater automation of production capabilities, upgrading of existing equipments and through the purchasing of new equipment and machinery, and increasing production staff at its existing manufacturing facilities.

Furthermore, KTMG is constantly exploring options to expand its operations by setting up new manufacturing facilities in countries with low production and labour costs, including Vietnam and Myanmar.

Traditionally, US apparel companies have sourced for manufacturers in China. However, as China economy develops, labour costs increase, causing apparel companies to shift their manufacturing operations to other countries such as Vietnam, Cambodia and Malaysia. Malaysian apparel manufacturers are widely reputed as providers of high-quality products, and also capable of timely and reliable services. We are confident that we are a sizeable and reputable manufacturer with strong production and management capabilities, able to meet consumers' quality specifications and stringent requirements. We believe that we are the competitive manufacturer best suited to meet the need of clients in this changing economy.

# CHAIRMAN'S MESSAGE

## Co-Creation Business Model

The Group's Co-Creation Business Model allows the Group to collaborate closely with consumers to enhance product designs and functionalities.

The Group believes that its Co-Creation Business Model is its key competitive strength allowing it to translate design concepts into successful products to serve our customers' needs. This business model will, in turn, increase our competitive ability in the fast-moving regional and international business environment.

## Upstream Expansion

KTMG has invested approximately RM32.0 million in Ocean Art & Embellishment Sdn. Bhd. ("OAE") to expand into fabric knitting, dyeing, finishing, and printing operations to allow the Group to have better control over the supply and quality of raw materials. OAE's dyeing and finishing capacity will achieve 150,000 kg per month by December 2019 and 200,000 kg per month by December 2022.

OAE will also set up a chemical laboratory to conduct research and development into areas such as the development of new techniques and processes, as well as new value-added functionalities for fabrics.

By expanding upstream, KTMG will develop into a vertical contract manufacturer that is competitive in the international sourcing market.

## Note of Appreciation

On behalf of KTMG, I wish to thank the SGX-ST and all professional firms involved in the proposed acquisition of KTM for their invaluable support.

I would also like to thank my business partners for their partnership over the past 40 years because their faith in my vision has enabled me to lead KTM, and from now on, KTMG, from a small shop lot production to a public-listed company in Singapore today.

I am also grateful to our customers who have placed their trust in us and grew with us all these years.

My most heartfelt appreciation goes to my management team and staff for working together with me as a team to realise our dream of taking KTMG beyond the shores of Malaysia.

We look forward to your continuous support as we blossom into an international company.

Thank you.

Mr Lim Siau Hing  
Executive Chairman



## BOARD OF DIRECTORS



**LIM SIAU HING**



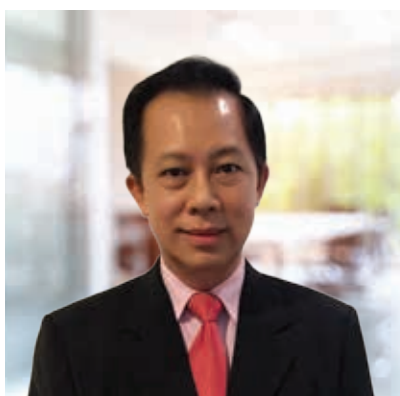
**LIM VHE KAI**



**GOH YEOW TIN**



**YAP BOH PIN**



**KOH BOON HUAT**

# BOARD OF DIRECTORS



**LIM SIAU HING, 72** Executive Chairman

Mr Lim Siau Hing was appointed as Executive Chairman following the completion of the proposed acquisition of the entire issued and paid-up share capital of Knit Textiles and Apparel Pte. Ltd. ("Proposed Acquisition") on 18 February 2019.

Mr Lim Siau Hing and his wife, Mrs Lim, founded Knit Textiles Mfg Sdn. Bhd. ("KTM") together in December 1988 to operate an apparel manufacturing factory from a small shop house in Batu Pahat, Johor, Malaysia. Since then, he has been instrumental in developing KTM into the KTMG Limited today. Within just over thirty (30) years, the Group has significantly expanded its operations to become a well-established, reputable market player that exports its products to Europe, United States and Canada.

Mr Lim has accumulated a wealth of experience, knowledge and skills in the textile and apparel industry. After graduating from Feng Jia College, Taiwan, with a diploma in textile engineering in July 1969, he started his career in September as a supervisor in a yarn factory in Taiwan. He went on to work as a production manager in Oriental Industries Private Limited in 1970 in Singapore, where he oversaw the production process of synthetic fibre. He became a production manager with Syntex Industries Sdn Bhd in Malacca in 1974. In 1977, together with a few business partners, Mr Lim set up Minat Industries Sdn Bhd, a fabric dyeing factory in Batu Pahat, where he was appointed as a director.

In 1981, Mr Lim left the partnership, and together with Mrs Lim founded Knit Textiles Industries Sdn Bhd, a fabric knitting factory, leading to the formation of KTM in December 1988.



**LIM VHE KAI, 44** Executive Director and Chief Executive Officer

Mr Lim Vhe Kai was appointed as Executive Director and Chief Executive Officer following the completion of the Proposed Acquisition on 18 February 2019.

Having been with KTM since 2002, Mr Lim Vhe Kai has more than 16 years of experience in the apparel manufacturing sector and is currently the marketing director of the Group. Apart from heading the marketing functions of the company, he also oversees the sourcing and purchasing, product development, and merchandising departments.

Mr Lim Vhe Kai graduated with a Bachelor of Science, Computer Information Systems (Honours) from the University of Windsor, Ontario, Canada in 1997. He was an Information Technology Executive at Ramatex Industries Sdn Bhd in 1997, and in 1998, a System and Network Engineer at CN Eminent Systems Sdn Bhd. He then joined e-Komoditi.com Sdn Bhd in 2000 as a System and Network Engineer, before taking up the position of Group Network Security Consultant at RHB Management Company Sdn Bhd in 2001.

He later joined the Group in August 2002 to help his father, Mr Lim Siau Hing, in the family business.

## BOARD OF DIRECTORS



**GOH YEOW TIN, 68** Non-Executive and Lead Independent Director

Mr Goh Yeow Tin was appointed as a Lead Independent and Non-Executive Director of the Company on 1 October 2007. Following the completion of the Proposed Acquisition on 18 February 2019, Mr Goh is now the Chairman of the Nominating Committee and a member of both the Audit Committee and Remuneration Committee.

Mr Goh is currently the Non-Executive Chairman of Seacare Foundation Pte Ltd and Seacare Manpower Pte Ltd. Mr Goh began his career with the Economic Development Board ("EDB") where he headed the Local Industries Unit and was subsequently appointed as a Director of EDB's Automation Applications Centre located in the Singapore Science Park. Mr Goh was the founding member of the Association of Small and Medium Enterprise ("ASME") and founded International Franchise Pte Ltd, a pioneer in franchising business in Singapore.

Mr Goh was previously the Deputy Managing Director of Tonhow Industries Ltd, the first SESDAQ listed plastic injection moulding company. Mr Goh was the Vice-President of Times Publishing Ltd and was responsible for the Group's Retail and Distribution businesses. Mr Goh is also a member of the Singapore Institute of Directors and an Independent Director of Sheng Siong Group Ltd, AsiaPhos Limited, Vicom Limited and TLV (Holdings) Limited.

In recognition of his many years of social and community services, Mr Goh was awarded the Public Service Star (Bar) in 2015 and was appointed a Justice of the Peace in September 2015. Mr Goh holds a Bachelor Degree in Mechanical Engineering (Hons) and a Masters Degree in Industrial Engineering and Management.

Mr Goh's last re-appointment as a Director was on 18 February 2019.



**YAP BOH PIN, 78** Non-Executive and Independent Director

Mr Yap Boh Pin was appointed to the Board as an Independent and Non-Executive Director on 1 April 2004. Following the completion of the Proposed Acquisition on 18 February 2019, Mr Yap Boh Pin is now the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committee.

Mr Yap is currently the managing director of B.P.Y Private Limited, a firm of management consultants which provides financial planning, financial accounting, reviewing internal control systems as well as corporate secretarial services. Between July 1975 and January 1999, Mr Yap was a senior partner at Yap Boh Pin & Co, which provided advice on auditing, taxation, liquidation and corporate restructuring matters. He is also a director of TeleChoice International Limited and Asia Mobile Holdings Pte Ltd (a subsidiary of Singapore Technologies Telemedia Pte Ltd). Mr Yap also holds directorship in Overseas Realty (Ceylon) Plc, a public listed company in Sri Lanka.

He has also held directorships in various public companies between 1975 and 2000, including Singapore Land Limited, L&M Investments Limited and Pan Pacific Public Company Limited. During his appointment at these companies, Mr Yap was a member of their Executive Committee and/or Audit Committee, assisting in the evaluation and recommendation of changes to their system of internal controls as well as corporate governance.

Beyond the corporate sector, Mr Yap is actively involved in various non-profit, educational and social welfare organisations. He is an honorary council member of the Singapore Hokkien Huay Kuan. In January 2008, Mr Yap was appointed as Director at ACS (International) and Chairman of their Finance Committee. He was also a member of the Board of Trustees and Audit Committee of the Chinese Development Assistance Council from March 2006 to June 2018. He had also held the posts of Chairman, Finance Committee and Honorary Treasurer of Singapore Heart Foundation from July 2009 to September 2013.

Mr Yap qualified as Chartered Accountant from the Institute of Chartered Accountant in England and Wales in 1966. He is a Fellow of both the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England and Wales.

Mr Yap's last re-appointment as a Director was on 18 February 2019.



## BOARD OF DIRECTORS



### **KOH BOON HUAT, 65** Non-Executive and Independent Director

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Mr Koh Boon Huat was appointed as an Independent and Non-Executive Director following the completion of the Proposed Acquisition on 18 February 2019. He is the Chairman of the Remuneration Committee and member of both the Audit and Nominating Committee.

Mr Koh Boon Huat has 40 years of experience in the banking and finance industry.

Mr Koh Boon Huat obtained his Diploma in Management from the Malaysian Institute of Management in 1998, and in 2006, he graduated with a degree in Management (Honours) from Multimedia University. He was a committee member of Johor State Asian Institute of Chartered Bankers Advisory Council between August 2011 and June 2016.

He commenced his career in October 1974 as a Clerk in Malayan Banking Bhd, Batu Pahat. Mr Koh was an Officer of Arab-Malaysian Finance Bhd, Batu Pahat in 1985, before he joined First Malaysia Finance Berhad, Batu Pahat, in 1988 where he was a Credit Officer. He subsequently left as an Acting Branch Manager, and joined MBF Finance Berhad, Pontian in 1991 and MBF Finance Berhad, Batu Pahat in 1993 as a Branch Manager. Between 1995 and 1996, Mr Koh Boon Huat was the Personal Assistant to the managing director of S.P.I. Holdings Sdn. Bhd., Batu Bahat. He subsequently re-joined the banking industry as a Branch Manager for Oriental Bank Berhad, Batu Berendam in 1997 and Phileo Allied Bank Berhad, Batu Pahat from 1997 to 2001. Mr Koh Boon Huat was the Branch Manager of United Overseas Bank (Malaysia) Bhd, Kluang from 2001 and Branch Manager of United Overseas Bank (Malaysia) Bhd, Batu Pahat from 2002 to 2008. He last held the position of Area Manager with United Overseas Bank (Malaysia) Bhd, South Area Centre from November 2008 to June 2016, where he was responsible for managing eight branches in Johor and Melaka with a staff force of over 400 employees. Mr Koh Boon Huat has extensive knowledge and expertise in banking operations, credit and marketing, compliance, collections and recovery.

## KEY EXECUTIVES



**CHEW CHONG KIAT** Chief Operating Officer ("COO")

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Mr Chew Chong Kiat was appointed as COO of the Group following the completion of the Proposal Acquisition on 18 February 2019. As the COO of the Group, he is in charge of the day-to-day operations of the Group.

Mr Chew Chong Kiat has been with the Group since July 2002. He oversees the human resource, administration, shipping, IT and production department of the company.

Mr Chew Chong Kiat started his career as a credit control officer with Malpac Securities Sdn Bhd from March 1996 to December 1998. He then joined Wah Tat Bank Berhad as an operations officer in January 1999, before he made a career switch by joining the education sector. In early January 2000, he was a lecturer of Economics at Taylor's College, Subang in Malaysia and thereafter from July 2000 to June 2002, he was a lecturer of economics at Sepang Institute of Technology, Klang.

Mr Chew Chong Kiat graduated with a Bachelor of Arts, and a double major in Economics and Industrial Relations, from the University of Toronto, Canada in December 1995.



**LOW YONG HENG** Financial Controller

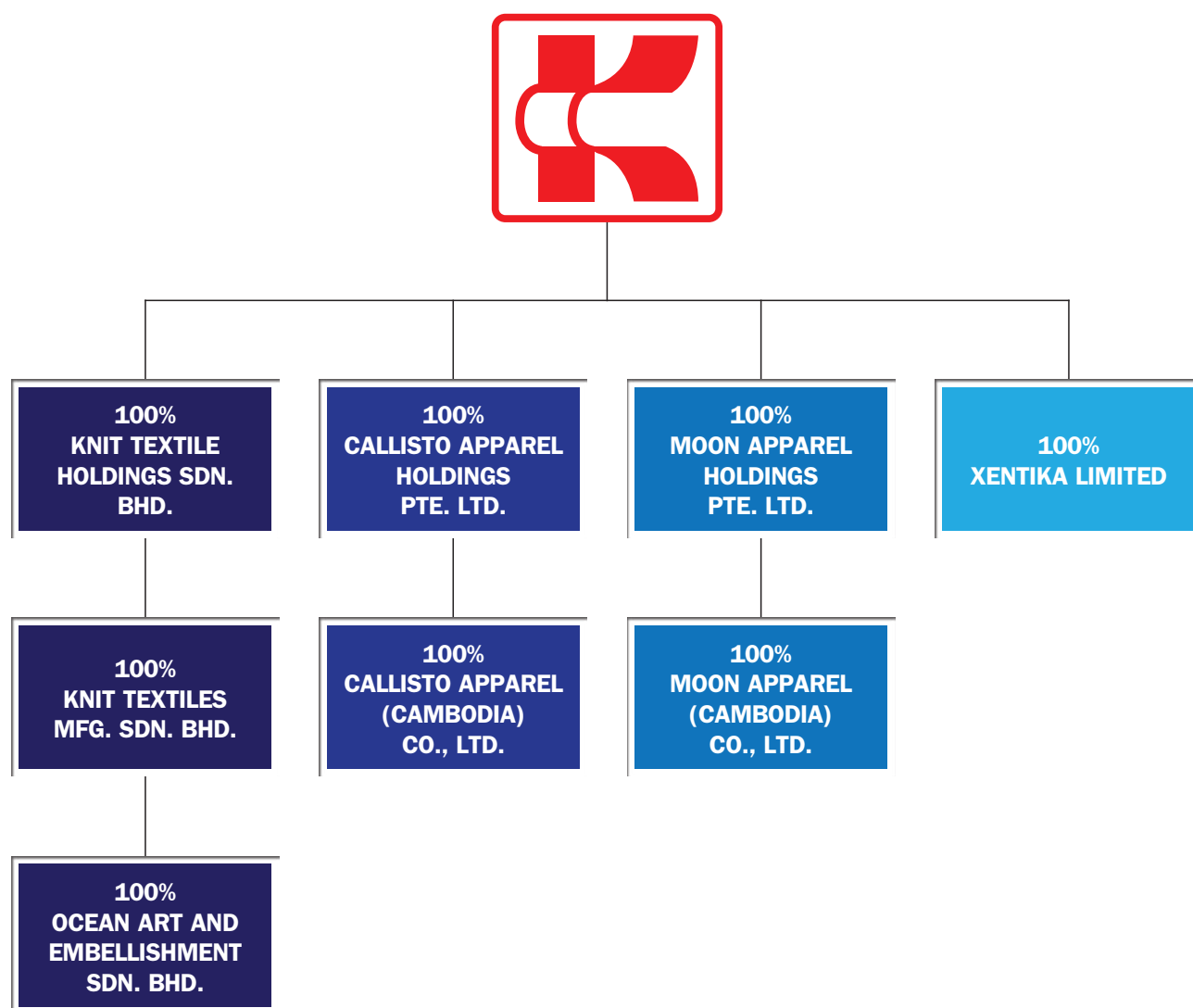
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Mr Low Yong Heng was appointed as the Financial Controller of the Group following the completion of the Proposal Acquisition on 18 February 2019. He supervises the accounts and finance department of the Group.

He graduated with a Bachelor Degree of Commerce from University of Wollongong in 1993. He is also a member of Certified Practising Accountants (CPA Australia) and the Malaysian Institute of Accountants (MIA).

He began his career as an auditor before joining the commercial industry where he served for more than 20 years in various disciplines including, audit, financial advisory, trading, manufacturing, construction and property development.

# GROUP STRUCTURE





# GROUP STRUCTURE

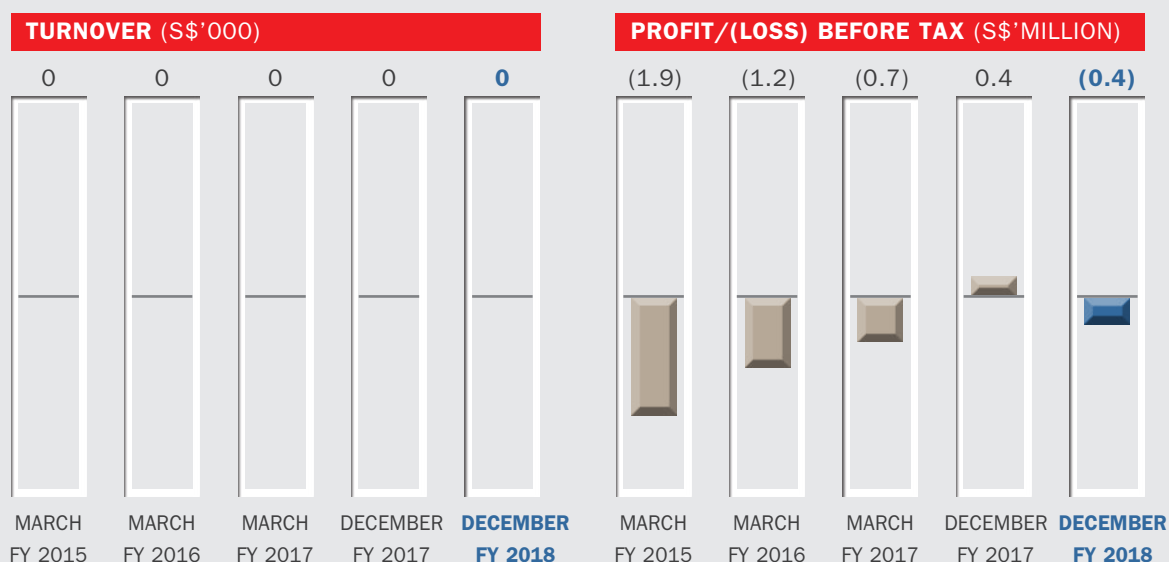
## Group Properties

As at the date of this Annual Report, KTMG owns the following properties in Malaysia.

LOCATION	DESCRIPTION	LAND AREA (SQ.M)	TENURE	EXPIRY DATE	VALUE (RM'MILLION)
No. 3A, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia	Industrial land with manufacturing factory	14,630 (Land area)	Leasehold (60 years)	28-Aug-2067	3.69
No. 3 and 3-1, Jalan Wawasan 21, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia.	Industrial land with manufacturing factory	7,955 (Land area)	Leasehold (60 years)	28-Aug-2067	4.38
PTD47291, Jalan Wawasan 21, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia.	Industrial land	8,684.6 (Land area)	Leasehold (60 years)	24-Jan-2067	1.39
F-01, The Summit Batu Pahat, No. 88, Jalan Bakau Condong, 83000 Batu Pahat, Johor, Malaysia.	Commercial Shop lot	42.5 (Built-up area)	Freehold	–	0.20
20, Jalan Sri Mewah 4, Taman Sri Mewah, 86200 Simpang Renggam, Johor, Malaysia.	Commercial Shop lot	418.1 (Land area)	Freehold	–	0.35
HS (D) 1038 PTD 1856, Jalan Perahu, Taman Perindustrian Tongkang Pechah, Mukim Linau, 83000 Batu Pahat, Johor, Malaysia	Industrial land	4,046.9 (Land area)	Leasehold (60 years)	6-Apr-2040	1.09
No. 2, Jalan Perahu, Taman Perindustrian Tongkang Pechah, 83000 Batu Pahat, Johor, Malaysia	Industrial land with manufacturing factory	17,498 (Land area)	Freehold	–	20.06

# FINANCIAL HIGHLIGHTS

As the proposed acquisition of the entire issued and paid-up share capital of Knit Textiles and Apparel Pte. Ltd. ("Proposed Acquisition") was completed on 18 February 2019, after the financial year ended 31 December 2018, as such only the financial results of the Group before completion of the Proposed Acquisition was shown.



## FINANCIAL HIGHLIGHTS FOR THE PAST FIVE YEARS

	The Company			The Group	
	FY 2018 <sup>#</sup> December S\$'000	FY 2017 <sup>^</sup> DECEMBER S\$'000	FY 2017 MARCH S\$'000	FY 2016 MARCH S\$'000	FY 2015 MARCH S\$'000
Turnover	0	0	0	0	0
(Loss)/profit before tax	(437)	331	(740)	(1,237)	(1,962)
(Loss)/profit after tax	(437)	331	(740)	(1,237)	(1,962)
(Loss)/profit attributable to shareholders	(437)	331	(740)	(1,237)	(1,962)
Shareholder equity	(6,272)	(5,835)	(6,239)	(5,595)	(4,359)
	Cents	Cents	Cents	Cents	Cents
EPS	(0.59)	0.45	(1.00)	(1.68)	(2.66)
NTA per share	(8.52)	(7.93)	(8.47)	(7.60)*	(0.12)

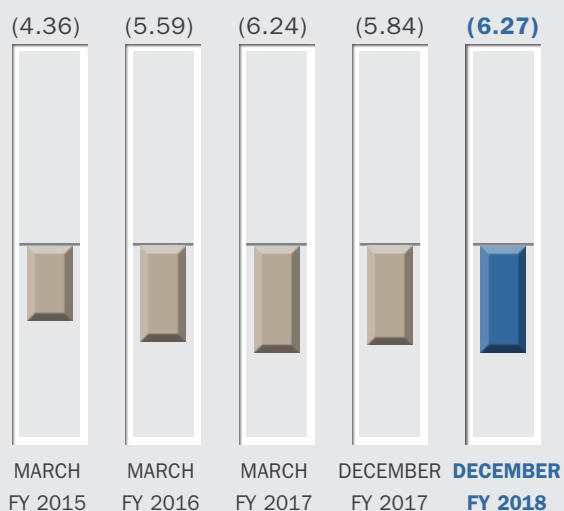
<sup>^</sup> For the period 1 April 2017 to 31 December 2017.

<sup>#</sup> For the period 1 January 2018 to 31 December 2018.

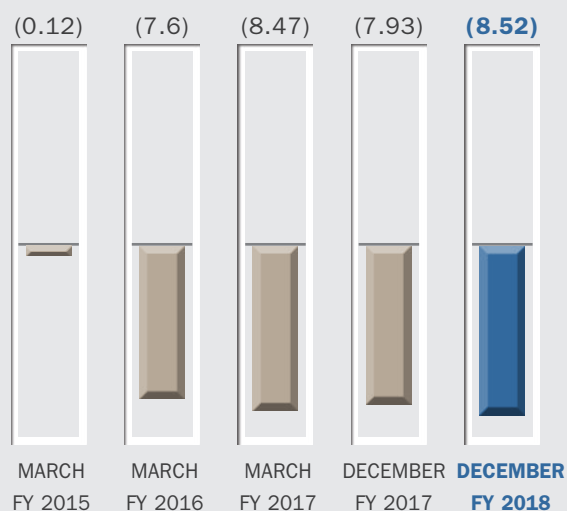
<sup>\*</sup> On 4 September 2015, the Company completed a share consolidation of every fifty (50) ordinary shares in the authorised and issued capital of the Company into one (1) ordinary share and adjustments have been made to reflect the adjusted number of shares. Fractional entitlements are disregarded.

# FINANCIAL HIGHLIGHTS

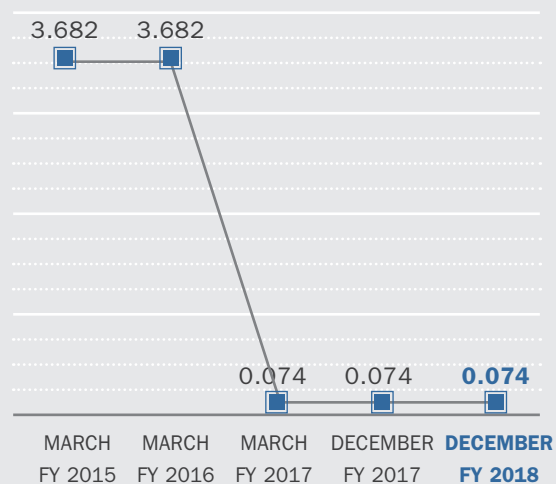
## SHAREHOLDER EQUITY (S\$'MILLION)



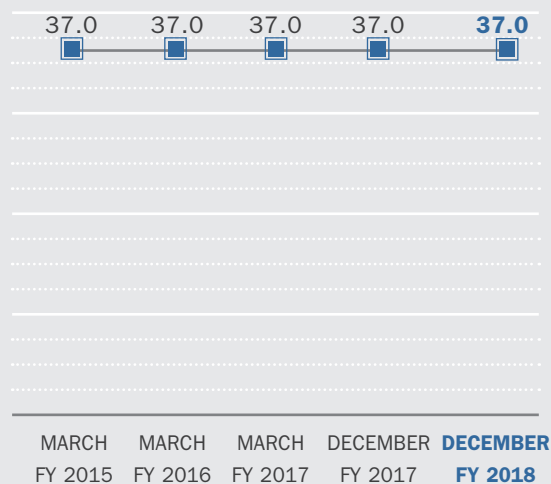
## NET ASSETS PER SHARE (CENTS)



## NO. OF ISSUED SHARES (S\$'BILLION)



## SHARE CAPITAL (S\$'MILLION)



\* On 4 September 2015, the Company completed a share consolidation of every fifty (50) ordinary shares in the authorised and issued capital of the Company into one (1) ordinary share and adjustments have been made to reflect the adjusted number of shares. Fractional entitlements are disregarded.



# FINANCIAL HIGHLIGHTS

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## Performance Review

The Group registered a net loss of S\$437,000 for its full year ended 31 December 2018 ("FY2018") as compared to its prior period's net profit of S\$331,000 for the 9-months ended 31 December 2017 ("FY2017"). Under the Group's other income, the Group recorded S\$1,000 in FY2018 as compared to prior period's other income of S\$64,000 in FY2017. The other income incurred in FY2017 was mainly due to the waiver of payables. The profit of S\$331,000 for FY2017 is mainly attributable to the write back of accrued directors' fees amounting to S\$600,000 in FY2017, waiver of payable of S\$58,000, write back of professional fees of S\$26,000, partially offset by impairment loss on the non-trade amounts due from a subsidiary.

The Group's expenses of S\$438,000 for FY2018 is made up of staff costs of S\$157,000 and other expenses of S\$281,000. The difference of other expenses for the current and prior period is mainly due to the write back of overprovision of accrual of other expenses in FY2017. In terms of the staff costs, the Group has recorded staff costs of S\$157,000 in FY2018 as compared to the written back amount of S\$544,000 in FY2017, as this is mainly due to the write back of accrued directors' fees as reported last year.

## Financial Position and Cash Flow

The Group's net current liabilities increased from S\$5.84 million as at 31 December 2017 to S\$6.27 million as at 31 December 2018 and thus increased the Group's negative shareholders' equity from S\$5.84 million as at 31 December 2017 to S\$6.27 million as at 31 December 2018. The increase in net liabilities is mainly due to an increase in funds provided by the Company's then controlling shareholder for the Company's operating activities. As at 31 December 2018, the cash and cash equivalents for the Group remains consistent at S\$12,000 as compared to S\$14,000 as at 31 December 2017.

There were no significant movements to the Group's cash flow for the current financial period reported on.

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# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

The Board of Directors (the "**Board**" or "**Directors**") of KTMG Limited (formerly known as Lereno Bio-Chem Ltd.) (the "**Company**", together with its subsidiaries, the "**Group**") is committed to ensuring and maintaining a high standard of corporate governance within the Group to ensure transparency and protection of the interests of the shareholders.

The Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") 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**").

This report describes the main corporate governance framework and practices of the Company with specific reference made to each of the principles of the Code. The Company will continue to maintain its systems and corporate governance processes to ensure compliance with the Code. For the financial year ended 31 December 2018 ("**FY2018**"), the Board confirms that the Company has complied with the principles and guidelines of the Code and where there are deviations, the reasons are explained accordingly.

The revised Code of Corporate Governance was recently issued on 6 August 2018 (the "**2018 Code**"), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. In this regard, the Company will endeavour to comply with the 2018 Code once it is effective.

## BOARD MATTERS

### Principle 1: Board's Conduct of its Affairs

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. Following the completion of the acquisition of the entire issued and paid-up share capital of Knit Textile and Apparel Pte. Ltd. on 18 February 2019 (the "**RTO**"), the Board has been reconstituted and as at the date of this Annual Report the Board members are as follows:–

Mr Lim Siau Hing @ Lim Kim Hoe	(Executive Chairman)
Mr Lim Vhe Kai	(Executive Director and Chief Executive Officer)
Mr Goh Yeow Tin	(Non-Executive and Lead Independent Director)
Mr Yap Boh Pin	(Non-Executive and Independent Director)
Mr Koh Boon Huat	(Non-Executive and Independent Director)

The following members has since ceased to be Directors of the Company but will be accountable for the representations in this Annual Report:

Tan Sri Dato' Kamaruzzaman Bin Shariff	(Non-Executive Chairman and Independent Director)
Mr Ong Puay Koon	(Managing Director and Chief Executive Officer)
Mr Ong Choon Lui	(Executive Director)
Mr Wong Heang Fine	(Non-Executive and Independent Director)

The Board oversees the management of the Company. It sets the corporate strategies of the Group and sets directions and goals for the management. It supervises the management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.



# STATEMENT OF CORPORATE GOVERNANCE

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The primary functions of the Board, apart from its statutory responsibilities, are:–

- evaluating and approving corporate policies, budgets and the strategic direction of the Group;
- monitoring and reviewing the financial performance including approval of all financial results announcements;
- approving annual results and accounts;
- approving and authorising of major investment transactions such as fund raising exercises;
- authorising of material acquisitions and disposal of non-core assets and investments;
- assuming responsibility for corporate governance;
- establishing a framework of prudent and effective controls which enables risk to be assessed and managed; and
- succession planning and management development.

Newly appointed Directors are oriented on the Group’s strategic direction, business operations and governance practices upon their appointment. Existing Directors of the Company are encouraged to participate in seminars and discussion groups to be kept abreast of latest industry developments, such as, relevant changes to statutes and regulatory requirements applicable to the Group. To keep abreast with developments in corporate, financial, legal and other compliance requirements, the Directors will receive the relevant trainings and updates on relevant new laws, regulations and changing commercial risks from time to time when appropriate during the year under review. The external auditors update the Directors on new or revised financial reporting standards on an annual basis.

If a new Director has no prior experience as a director of a listed company, the Company will endeavour to arrange for trainings appropriate to the level of his prior experience in areas such as accounting, legal and industry knowledge. Pursuant to the amended Rule 406(3)(a) of the Catalist Rules, which was revised to be consistent with the 2018 Code and with effect from 1 January 2019, the Company will arrange for the SGX-ST’s prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company. Within the current Board, Mr Lim Siau Hing and Mr Lim Vhe Kai have no prior experience as directors of listed companies in Singapore. Mr Lim Siau Hing @ Lim Kim Hoe, Mr Lim Vhe Kai and Mr Koh Boon Huat has been briefed by a law firm on their roles and responsibilities of a director of a publicly listed company in Singapore as well as the Company’s continuing obligations as a Catalist listed company. Mr Lim Siau Hing @ Lim Kim Hoe, Mr Lim Vhe Kai and Mr Koh Boon Huat will attend courses on Listed Company Essentials by the Singapore Institute of Directors.

Pursuant to the amended Rule 406(3)(a) of the Catalist Rules of the SGX-ST (which was revised to be consistent with the 2018 Code) all newly appointed directors who have no prior experience as directors of a listed company, will attend the relevant directorship courses within a year of their appointment.

To facilitate effective management, the Board has formed the following Board Committees namely the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”), to assist in carrying out and discharging its duties and responsibilities efficiently and effectively. More information on these committees are set out below. The Board accepts that while these Board Committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the Board.

These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly reviewed by the Board.

# STATEMENT OF CORPORATE GOVERNANCE

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The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines include, but are not limited to, those listed below:–

- (a) approval of results announcements;
- (b) approval of annual financial statements;
- (c) declaration of interim dividends and proposal of final dividends;
- (d) convening of shareholders' meetings;
- (e) approval of corporate strategy;
- (f) authorisation of merger and acquisition transactions; and
- (g) authorisation of major transactions.

The Board meets regularly, at least four times a year to review the quarterly financial results and as warranted by circumstances to deliberate on urgent substantive matters or when required to address any specific significant matters that may arise from time to time. Upon the completion of the RTO and with effect from the financial year ending 31 December 2019, the Company will be announcing its financial statements on a half yearly basis in accordance to Rule 705(3)(b). The Constitution of the Company permits the Board to hold its meetings via telephone conference and other electronic or telegraphic means. The attendance of Directors at meetings of the Board and the meetings of the various Board Committees as well as the frequency of meetings during the financial year are set out in the following Table 1:–

Table 1

Directors' attendance at Board and Board Committee Meetings held for FY2018 up to the date of this Report is tabulated below:

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATING COMMITTEE
Name of Director	No. of Meetings attended			
Mr Tan Sri Dato' Kamaruzzaman Bin Shariff*	6/6	–	1/1	1/1
Mr Ong Puay Koon*	6/6	–	–	–
Mr Ong Choon Lui*	4/6	–	–	–
Mr Goh Yeow Tin***	6/6	5/5	1/1	1/1
Mr Wong Heang Fine*	1/6	1/5	0/1	–
Mr Yap Boh Pin***	6/6	5/5	–	1/1
Mr Lim Siau Hing @ Lim Kim Hoe**	–	–	–	–
Mr Lim Vhe Kai**	–	–	–	–
Mr Koh Boon Huat**	–	–	–	–

\* Resigned as a Director on 18 February 2019

\*\* Appointed as a Director on 18 February 2019

\*\*\* Re-elected as a Director on 18 February 2019

# STATEMENT OF CORPORATE GOVERNANCE

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## Principle 2: Board Composition and Guidance

The Board currently comprises of two (2) Executive Directors and three (3) Independent Directors. As the current Chairman of the Board is not independent and as the Executive Chairman and the Chief Executive Officer (“**CEO**”) are immediate family members, a majority of the Board is now made up of Independent Directors.

### With effect from 18 February 2019

Mr Lim Siau Hing @ Lim Kim Hoe	(Executive Chairman)
Mr Lim Vhe Kai	(Executive Director and CEO)
Mr Goh Yeow Tin	(Non-Executive and Lead Independent Director)
Mr Yap Boh Pin	(Non-Executive and Independent Director)
Mr Koh Boon Huat	(Non-Executive and Independent Director)

Prior to 18 February 2019, the Board comprised of two (2) Executive Directors and four (4) Independent Directors.

### In effect up to 18 February 2019

Mr Tan Sri Dato’ Kamaruzzaman Bin Shariff	(Non-Executive Chairman and Independent Director)
Mr Ong Puay Koon	(Managing Director and CEO)
Mr Ong Choon Lui	(Executive Director)
Mr Goh Yeow Tin	(Non-Executive and Independent Director)
Mr Wong Heang Fine	(Non-Executive and Independent Director)
Mr Yap Boh Pin	(Non-Executive and Independent Director)

Mr Goh Yeow Tin and Mr Yap Boh Pin have been re-elected as Lead Independent Director and Independent Director respectively upon the completion of the RTO.

The criterion for independence is based on the definition given in the Code. The Board considers an “independent” director as one who has no relationship with the Company, its related companies, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement of the conduct of the Group’s affairs with a view to the best interests of the Group. With the majority of our Directors being non-executive and independent from management, the Board is able to exercise objective judgement on corporate affairs and no individual or small group of individuals is able to dominate the Board’s decision making. The independence of each Director is reviewed annually by the NC which confirms that the Independent Directors make up at least one-third of the Board.

Mr Yap Boh Pin and Mr Goh Yeow Tin have served on the Board for more than nine years, from the date of their first appointment as Directors of the Company:–

- (a) Mr Yap Boh Pin, who was appointed from 1 April 2004; and
- (b) Mr Goh Yeow Tin, who was appointed from 1 October 2007.

Based on the declarations of independence provided and the assessment of the NC, the Board has rigorously reviewed and is of the view that they are able to exercise independent and objective judgement and there are no relationship or circumstance which will affect their judgement and ability to discharge their duties and responsibilities as independent directors. The Board does not consider it to be in the interests of the Company and shareholders to require all directors who have served more than 9 years or longer to retire and favours ensuring continuity and stability. The Board is of the opinion that their length of service has not, in anyway, affected their independence.

# STATEMENT OF CORPORATE GOVERNANCE

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The Independent Directors have respectively confirmed that they do not have any relationship including immediate family relationship with the Company, its related companies, other directors and its substantial shareholders of the Company that would 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. The NC is satisfied that the Independent Directors of the Company are independent and further, that no individual or small group of individuals dominate the Board's decision-making process. Following the recent revision to the Code, the Catalist Rules has been amended to be consistent with the Code of Corporate Governance 2018. In relation to the assessment of the independence of the directors, specific tests of directors' independence have been hardcoded into the listing rules of SGX-ST to clarify that these circumstances which deemed directors not to be independent should be applied without any exceptions. Under Catalist Rule 406(3)(d)(i) and 406(3)(d)(ii) which takes effect on 1 January 2019, it stipulates that a director will not be independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company.

The Board members possess wide ranging experiences in the areas of strategic planning, business and management, and accounting and finance for the industry which the Group operates in. The profiles of the Board members are set out on pages 7 to 10 of this annual report.

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 possess the necessary core competencies for effective functioning and informed decision-making. The NC has opined that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations.

The Company believes that the Independent Directors constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share awards and/or share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement on pages 44 to 46 of this annual report.

When necessary, the Independent Directors shall meet as and when required without the presence of management. The Non-Executive Independent Directors communicate regularly to discuss matters related to the Group, including the performance of the Management and the direction and growth of the Group.

## **Principle 3: Chairman and Chief Executive Officer**

The Company believes that a clear division of responsibilities between the Chairman and CEO ensures proper balance of power, increased accountability and greater capacity of the Board for independent decision-making. The positions of the Chairman and CEO are held by Mr Lim Siau Hing @ Lim Kim Hoe and Mr Lim Vhe Kai respectively. Mr Lim Siau Hing is the father of Mr Lim Vhe Kai.

The Chairman's duties and responsibilities, among others, include:—

- to lead and set the agenda for the Board to ensure its effectiveness;
- scheduling meetings to enable the Board to perform its duties responsibly;



# STATEMENT OF CORPORATE GOVERNANCE

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- preparing meeting agenda in consultation with the CEO;
- ensuring the proper conduct of meetings and accurate documentation of the proceedings;
- ensuring smooth and timely flow of information between the Board and management and between the Company and its shareholders;
- facilitating the effective contribution of the Independent Directors;
- promoting high standards of corporate governance; and
- ensuring compliance with internal policies and guidelines of the Company.

The CEO's duties and responsibilities, amongst other things, include:–

- improving, developing, extending, maintaining, advising and promoting the Group's businesses to protect and further the reputation, interest and success of the Company and the Group;
- undertaking such duties and exercising such powers in relation to the Company, the Group and their businesses as the Board shall from time to time properly assign to or vest in him in his capacity as CEO and all other matters incidental to the same; and
- overseeing, formulating and implementing corporate strategies and directions for the affairs of the Group.

In view that the Executive Chairman is not being regarded as independent, Mr Goh Yeow Tin as Lead Independent Director will be available to shareholders where they have concerns for which contact through normal channels of communication with the Executive Chairman or management are inappropriate or inadequate. In addition to the above, when it is necessary, the independent directors shall meet without the presence of the other directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

## Principle 4: Board Membership

The NC comprises of three members, all of whom are Non-Executive and Independent.

### With effect from 18 February 2019

Mr Goh Yeow Tin	(Chairman of NC and Non-Executive & Lead Independent Director)
Mr Yap Boh Pin	(Member and Non-Executive & Independent Director)
Mr Koh Boon Huat	(Member and Non-Executive & Independent Director)

### In effect up to 18 February 2019

Mr Goh Yeow Tin	(Chairman of NC and Non-Executive & Independent Director)
Mr Yap Boh Pin	(Member and Non-Executive & Independent Director)
Tan Sri Dato' Kamaruzzaman Bin Shariff	(Member and Non-Executive & Independent Director)

Mr Goh Yeow Tin and Mr Yap Boh Pin have been re-elected as Lead Independent Director and Independent Director respectively upon the completion of the RTO.

# STATEMENT OF CORPORATE GOVERNANCE

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The Board considers that the members of the NC have sufficient expertise and experience to discharge its responsibilities properly.

The NC is established for the purpose of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The duties and responsibilities of the NC as set out in the terms of reference approved by the Board include the following:–

- to make recommendations to the Board on all Board appointments, including the re-nomination of any director having regard to composition of the Board and each Director's competencies, commitment, contribution and performance;
- to determine annually whether or not a director is independent in accordance to the Code and any other salient factors, and ensure that the Board comprises at least one-third of Independent Directors;
- to review the Board succession plan for directors in particular, the Chairman and CEO of the Company, as well as other key management personnel;
- ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals. Under the Constitution, at least one-third of the Directors are required to retire from office at every AGM of the Company and every Director must retire from office at least once every three (3) years. A retiring Director is eligible and may be nominated for re-election;
- to review the Board structure, size and composition and make recommendations to the Board with regards to any necessary adjustment;
- to make recommendations to the Board on the performance criteria and appraisal process to be used for the evaluation of the effectiveness of the Board as a whole and the Board committees as well as the contribution of each Director, which criteria and process shall be subject to the Board's approval;
- to review the training and professional development programs for the Board; and
- to review a Director's multiple board representations on various companies and deciding whether or not such Director is able to and has been adequately carrying out his duties as Director.

The NC's assessment of the independence of a director is guided by the Code and takes into account factors such as relationship with the Company, its related corporations, its substantial shareholders or its officers and whether these relationships interfere with his business judgements. The NC has reviewed the independence of Mr Goh Yeow Tin, Mr Yap Boh Pin and Mr Koh Boon Huat and is satisfied that there are no relationships which would deem any of them not to be independent.

Pursuant to the Constitution of the Company, at least one third of the Directors must retire from office at an Annual General Meeting of the Company. Therefore, all Directors must retire and may submit themselves for re-election at regular intervals at least once in every three years.

# STATEMENT OF CORPORATE GOVERNANCE

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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 of the view that Directors with multiple board representations and other principal commitments, have also ensured that sufficient time and attention are given to the affairs of each company. The Board has not fixed the maximum number of listed company board representations and other principal commitments which any Director may hold. It will do so when deemed necessary.

The search and nomination process for new Directors, if any, will be conducted in the following manner:

- (a) identify the competencies required to enable the Board to fulfil its responsibilities;
- (b) seek external assistance, if the need arises, by approaching relevant institutions such as the Singapore Institute of Directors, search companies or via public advertisements to search for suitable candidates. The search for suitable candidates could also be drawn from the contacts and network of the existing Directors and senior management;
- (c) conduct formal interviews of short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them; and
- (d) make recommendations to the Board for approval.

When considering the re-nomination of a Director for re-election, the NC will consider the Directors' overall contribution and performance (such as the time commitment by the Board members with multiple board representations, attendance, preparedness, participation and candour) with reference to the results of the assessment of the performance of the individual director by his peers. Upon review, the Directors are recommended to the Board for re-appointment.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance, appointment or re-appointment as a Director.

The following Directors will stand for re-election at the forthcoming Annual General Meeting:

Mr Lim Siau Hing @ Lim Kim Hoe

Mr Lim Vhe Kai

Mr Yap Boh Pin

Mr Koh Boon Huat

The requirements under Rule 720(5) of the Catalist Rules are stipulated in the table below:

	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
Date of Appointment	1 April 2004	18 February 2019	18 February 2019	18 February 2019
Date of last re-appointment	25 July 2016	Not applicable	Not applicable	Not applicable
Age	78	72	44	65
Country of principal residence	Singapore	Malaysia	Malaysia	Malaysia

# STATEMENT OF CORPORATE GOVERNANCE

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	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>Mr Yap Boh Pin has substantial business and commercial experience and substantial understanding of the role of, and experience in acting, as an independent directors, having been appointed as an independent directors of a number of SGX-ST listed companies over the years.</p> <p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Yap Boh Pin for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Yap Boh Pin will be able to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at Board and Board Committee meetings.</p>	<p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, work experience and suitability of Mr Lim Siau Hing @ Lim Kim Hoe for re-appointment as Director of the Company. The Board has reviewed and concluded that Mr Lim Siau Hing @ Lim Kim Hoe possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, work experience and suitability of Mr Lim Vhe Kai for re-appointment as Director of the Company. The Board has reviewed and concluded that Mr Lim Vhe Kai possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, work experience and suitability of Mr Koh Boon Huat for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Koh Boon Huat possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>

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	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the AC and member of the RC and NC.	Executive Chairman	Executive Director and CEO	Independent Non-Executive Director, Chairman of the RC and member of the AC and NC.
Professional qualifications	In October 1966, Mr Yap Boh Pin qualified as a Chartered Accountant (Associate) from the Institute of Chartered Accountants in England and Wales. He also qualified as a Chartered Accountant (Fellow) of the Institute of Chartered Accountants in England and Wales, and the Institute of Singapore Chartered Accountants in January 1997 and January 2005 respectively.	Mr Lim Siau Hing @ Mr Lim Kim Hoe graduated from Feng Jia College, Taiwan with a diploma in textile engineering in July 1969.	Mr Lim Vhe Kai graduated with a Bachelor of Science, Computer Information Systems (Honours) from the University of Windsor, Ontario, Canada in 1997.	In February 1998, Mr Koh Boon Huat obtained his Diploma in Management from Malaysian Institute of Management, and in April 2006, he graduated with a degree in Management (Honours) from Multimedia University.
Working experience and occupation(s) during the past 10 years	B.P.Y Private Limited (January 1999 – Present)	Knit Textiles Mfg. Sdn. Bhd. (1988 – Present) – Managing Director	Knit Textiles Mfg. Sdn. Bhd. (August 2002 – Present) – Marketing Director	United Overseas Bank (Malaysia) Bhd (November 2008 to June 2016) – Manager



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	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 7,262 ordinary shares	Direct Interest: 51,500,000 ordinary shares Indirect Interest: 85,000,000 ordinary shares Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Mr Lim Siau Hing @ Lim Kim Hoe is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Mr Lim Siau Hing @ Lim Kim Hoe is a beneficiary.	Indirect Interest: 85,000,000 ordinary shares Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Mr Lim Vhe Kai is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Mr Lim Vhe Kai is a beneficiary.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Mr Lim Siau Hing @ Lim Kim Hoe is the father of Mr Lim Vhe Kai.	Mr Lim Siau Hing @ Lim Kim Hoe is the father of Mr Lim Vhe Kai.	No
Conflict of Interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
Other Principal Commitments* Including Directorships	<u>Past 5 Years</u> ACS (International) Asia Mobile Holdings Pte. Ltd. Amatil Investments (S) Pte Ltd B.P.Y. Private Limited Ceylon Shipping Agency Pte Ltd Eunicent Pte. Ltd. GZLNi Pte. Ltd. Havelock City (Pvt) Ltd K & N Pacific Investments (S) Pte Ltd Kraus & Naimer Pte. Ltd. Mireka Capital Land (Pvt) Ltd Mireka Homes (Pvt) Ltd Overseas Realty (Ceylon) PLC Park Tower Properties (Private) Limited S K Investments Lanka (Private) Limited Shing Investments Pte Limited Shing Kwan Investment (Singapore) Pte Ltd Shing Kwan Pte Ltd Singapore-Suzhou Township Development Pte Ltd STT Communications (Shanghai) Co., Ltd TeleChoice International Limited Tyma Investments Pte Ltd	<u>Past 5 Years</u> Nil	<u>Past 5 Years</u> High Essential Sdn. Bhd. Kaji Sdn. Bhd. Precise Action Sdn. Bhd.	<u>Past 5 Years</u> United Overseas Bank (Malaysia) Bhd (November 2008 to June 2016) – Manager
* “Principal Commitments” has the same meaning as defined in the Code.				
Past (for the last 5 years)				
Present	<u>Present</u> Cosmopolitan Development Pte Ltd Kwan Investments Pte Ltd Robertson Quay Development Pte Ltd Singapore Heart Foundation STT Communications (Beijing) Co., Ltd Tan You Investments Pte Ltd Tennessee Pte. Ltd. The Marketing Interchange Pte. Ltd. Yappstar Pte. Ltd.	<u>Present</u> Callisto Apparel Holdings Pte. Ltd. Knit Textile Holdings Sdn. Bhd. Knit Textiles Mfg. Sdn. Bhd. Moon Apparel Holdings Pte. Ltd. Ocean Art & Embellishment Sdn. Bhd. Knit Textiles Industries Sdn. Bhd. (gazetted to be struck off)	<u>Present</u> Callisto Apparel (Cambodia) Co., Ltd. Knit Textiles Mfg. Sdn. Bhd. Moon Apparel (Cambodia) Co., Ltd. Ocean Art & Embellishment Sdn. Bhd. Xentika Limited Haruaki Ventures Sdn. Bhd. Windsor Mile Capital Pte. Ltd.	<u>Present</u> Acoustech Bhd.

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	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>				
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
c) Whether there is any unsatisfied judgment against him?	No	No	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No

# STATEMENT OF CORPORATE GOVERNANCE

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	MR YAP BOH PIN	MR LIM SIAU HING @ LIM KIM HOE	MR LIM VHE KAI	MR KOH BOON HUAT
<p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Disclosure applicable to the appointment of Director only				
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N.A.	N.A.	N.A.	N.A.



# STATEMENT OF CORPORATE GOVERNANCE

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## **Principle 5: Board Performance**

The NC has set up a framework for the formal assessment of the performance of the Board as a whole, its Board Committees and of the contribution of each individual director to the effectiveness of the Board. The NC has established objective performance criteria by which the performances of the Board and its Board Committee may be evaluated.

### **Framework for assessment of Board performance**

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and its Board committees and of the contribution of each individual director to the effectiveness of the Board. The Board has performed the necessary assessment for the financial year.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the Board and its Board committees' evaluations were in respect of size and composition, processes, information, performance, meeting attendance, participation and contributions of the Board and its Board committees in relation to discharging its principal functions and responsibilities and targets.

After evaluation, the NC considered the performance and effectiveness of each individual current Director and the Board as a whole, to be satisfactory.

The Board, together with the NC, reviews each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board Committees and the Board are undertaken on a continuous basis by the NC with inputs from the various Board members.

The NC is satisfied that the Board has been effective as a whole and that each Director has contributed sufficiently to the effective functioning of the Board.

## **Principle 6: Access to Information**

We believe that in order to ensure that the Board is able to fulfill its duties and responsibilities, management is required to provide timely, adequate and complete information that requires the Board's decision as well as periodic reports on material operational and financial matters of the Company and of the Group.

As a general rule, the Board papers are required to be sent by management to Directors at least seven days before the Board meeting so that the members may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has.

On an ongoing basis, the information provided to the Board include financial management reports, reports on performance of the Group against the budget with notes on any significant variances, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group.

# STATEMENT OF CORPORATE GOVERNANCE

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The Directors have separate and independent access to the Company's senior management and the Company Secretaries, who are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Under the Constitution of the Company, the decision to appoint or remove the Company Secretaries can only be taken by the Board as a whole. The Company Secretaries or their respective representatives administer, attend and prepare minutes of Board and Board Committee meetings as well as shareholders' meetings. They assist the Chairman in ensuring that Board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Catalist Rules are complied with. They also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view of enhancing long-term shareholders' value. They are also the primary channel of communication between the Company, the Company's Sponsor and the SGX-ST.

The Directors have separate and independent access to the Company Secretary at all times and may communicate directly with the management and the Company Secretaries on all matters whenever they deem necessary.

The Board has the right to seek independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, the Directors of the Company, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

The RC comprises of three members, all of whom are Non-Executive and Independent.

#### With effect from 18 February 2019

Mr Koh Boon Huat	(Chairman of RC and Non-Executive & Independent Director)
Mr Yap Boh Pin	(Member and Non-Executive & Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive & Lead Independent Director)

#### In effect up to 18 February 2019

Tan Sri Dato' Kamaruzzaman Bin Shariff	(Chairman of RC and Non-Executive & Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive & Independent Director)
Mr Wong Heang Fine	(Member and Non-Executive & Independent Director)

Mr Goh Yeow Tin and Mr Yap Boh Pin have been re-elected as the Lead Independent Director and Independent Director respectively upon the completion of the RTO.

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for determining the remuneration packages of individual directors and key management personnel. 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. The overriding principle is that no Director should be involved in deciding his own remuneration.

The duties and responsibilities of the RC as set out in the terms of reference approved by the Board include the following:-

- to review and recommend the remuneration packages and terms of employment of all Executive Directors, the CEO and key management personnel;
- to review and recommend Directors' fees;
- to review remuneration of all managerial staff that are related to any of the Directors, the CEO and any substantial shareholder of the Company;
- to review and make recommendation to the Board on the implementation of any appropriate long term incentive schemes for the Directors and employees of the Group;
- to review and ensure that the level and structure of remuneration of the Directors and key management personnel should be aligned with the long-term interest of the Company;
- to structure a significant and appropriate proportion of executive directors' and key management personnel's remunerations so as to link rewards to corporate and individual performance; and to ensure such remunerations should be aligned with the interests of shareholders and promote the long-term success of the Company; and
- to review and ensure the remuneration of non-executive and independent directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors, and they should not be over-compensated to the extent that their independence may be compromised.

The RC will seek independent expert professional advice on remuneration matters whenever there is a need to consult externally. The RC shall ensure that any relationship between the appointed consultant and any of its director or Company will not affect the independence and objectivity of the remuneration consultant. The RC, in considering the remuneration of all directors, has not sought external advice nor appointed remuneration consultants.

The RC reviewed and is of the view that the termination clauses of the current service agreements with the Executive Directors are fair, reasonable and not overly generous. None of the RC members or directors are involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to himself.

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

## Principle 8: Level and Mix of Remuneration

In view of the Company's cash company status with no business operations previously, all Executive Directors of KTMG Limited prior to the completion of the RTO agreed to forgo their salaries (effective from September 2016) for FY2018.

The remunerations of the Non-Executive & Independent Directors are set out in accordance with a framework comprising basic and Board Committees' fees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Directors' fees are paid subject to approval of shareholders at each Annual General Meeting.

There are no contractual provisions to allow the Company to reclaim incentive components of remunerations from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

In connection with the RTO, the Company entered into separate service agreements (the "**Service Agreements**") with Mr Lim Siau Hing and Mr Lim Vhe Kai as the Executive Chairman and Executive Director and CEO of the Company. The Service Agreements will take effect upon completion of the RTO and shall continue for an initial period of three years and upon the expiry of such period, the employment of Mr Lim Siau Hing and Mr Lim Vhe Kai shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The remuneration of the Executive Director includes, among others, a fixed salary and a variable performance bonus at the discretion of the RC, taking into account his performance as well as the performance of the Group upon completion of the RTO, and there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Directors.

Remuneration of Independent Directors is set at a level commensurate with the level of responsibility and after taking into account industry benchmarks. The Company believes that the current remuneration of Independent Directors is at a level that will not compromise the independence of the Directors.

The remuneration package of the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

## Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each Director's remuneration for FY2018 is as follows:-

Name	Directors' Fee	Base/Fixed Salary	Restricted/ Performance Share Award	Other Benefits	Total
<b>Directors</b>					
<b>\$50,000 and below</b>					
Mr Ong Puay Koon <sup>#</sup> ^	0%	0%	0%	0%	0%
Mr Ong Choon Lui <sup>#</sup> ^	0%	0%	0%	0%	0%
Mr Tan Sri Dato' Kamaruzzaman Bin Shariff <sup>^</sup>	100%	0%	0%	0%	100%
Mr Yap Boh Pin <sup>*</sup>	100%	0%	0%	0%	100%
Mr Wong Heang Fine <sup>^</sup>	100%	0%	0%	0%	100%
Mr Goh Yeow Tin <sup>*</sup>	100%	0%	0%	0%	100%

Note: Other benefits include allowance and employer CPF contributions

# In view of the competitive pressure in the talent market, the Company is only disclosing the bands of remuneration for each Director.

^ The directors have resigned as of 18 February 2019.

\* Mr Goh Yeow Tin and Mr Yap Boh Pin have been re-elected as Lead Independent Director and Independent Director respectively upon the completion of the RTO.

In view of the competitive pressure in the talent market, the Company is only disclosing the bands of remuneration for each Directors.

## Immediate Family Member of Directors or the CEO

The remuneration of the key executives of the Group (who are not Directors or CEO) for FY2018 is set out below:

Name	Base/Fixed Salary	Other Benefits	Total
<b>Key Management</b>			
<b>S\$100,000 and below</b>			
Ms Ong Ai Koon <sup>#</sup>	83%	17%	100%

Note: Other benefits include allowance and employer CPF contributions

# In view of the competitive pressure in the talent market, the Company is only disclosing the bands of remuneration for each key executive.

The remuneration of the former Chief Financial Officer, Miss Ong Ai Koon, who has ceased after the completion of the RTO, falls within the band of below S\$100,000 for FY2018.

Ms Ong Ai Koon is the daughter of Mr Ong Puay Koon and the sister of Mr Ong Choon Lui.



# STATEMENT OF CORPORATE GOVERNANCE

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Save for as disclosed above, there were no other employees of the Group who are immediate family members of the Directors or CEO of the Company, and whose remuneration exceeded \$50,000 for the financial period ended 31 December 2018.

The Company adopts a remuneration policy for staff comprising fixed and variable components. The fixed component is in the form of a base salary and allowance. The variable component is in the form of a variable bonus that is linked to the performance of the Company and individual.

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

The Board is responsible for presenting a balanced and understandable assessment of the Company's performance, position and prospects. The Company is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with the statutory requirements and the Catalist Rules.

Price sensitive information will be publicly released via SGXNET either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

The Company recognizes the importance of providing the Board with accurate and relevant information on a timely basis so that it may effectively discharge its duties.

The Management provides the Board members with the Company's financial results at each half yearly Board meeting, as well as relevant updates, background information and documents relating to the items of business to be discussed at each Board meeting, such as copies of disclosure documents, budgets and forecasts, before the scheduled meeting.

The Board is also provided with such financial information, updates and explanations to safeguard the Company's utilization of cash and make informed decisions on a regular basis.

Prior to the completion of the RTO, the Company has also provided monthly valuations of its assets and utilization of cash and quarterly updates of milestones in obtaining a new business for a new listing to shareholders via SGXNet pursuant to Rule 1017(1)(b) of the Catalist Rules.

### Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities. The Board has ensured that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interest while also overseeing management in the area of risk management and internal controls. Notwithstanding the aforesaid, procedures are in place to identify major business risks and evaluate potential financial effects.

In addition, the AC reviews and evaluates annually the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management. The AC is responsible for the Group's risk management and internal controls system, including financial, operational, compliance and information technology controls.

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

The external auditors carry out, in the course of their statutory audit, an annual review of the effectiveness of the Company's material internal controls to the extent laid out in their audit plan. Material internal control weaknesses noted during their audit (if any) and the auditors' recommendations are reported to the Board and the AC. Steps are taken to rectify any weaknesses reported.

In view of the above and based on the statutory audits by the external auditors and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls in place are adequate and effective to provide reasonable assurance of achieving its internal control objectives and to address the Company's financial, operational, compliance and information technology risks, and risk management systems.

The Board collectively oversees risk management and does not have a separate risk committee.

The Board has also received assurance from Mr Ong Puay Koon, the former Managing Director and CEO and Ms Ong Ai Koon, the former Chief Financial Officer that:-

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are adequate and sufficiently effective.

## Principle 12: Audit Committee

The AC comprises three members, all of whom are Non-Executive and Independent Directors:-

### With effect from 18 February 2019

Mr Yap Boh Pin	(Chairman of AC and Non-Executive and Independent Director)
Mr Koh Boon Huat	(Member and Non-Executive and Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive and Lead Independent Director)

### In effect up to 18 February 2019

Mr Yap Boh Pin	(Chairman of AC and Non-Executive and Independent Director)
Mr Wong Heang Fine	(Member and Non-Executive and Independent Director)
Mr Goh Yeow Tin	(Member and Non-Executive and Independent Director)

Mr Goh Yeow Tin and Mr Yap Boh Pin have been re-elected as Lead Independent Director and Independent Director respectively upon the completion of the RTO.

The members of the AC have many years of experience in business management and financial services. The Chairman of the AC is a very experienced and qualified accountant and the other members have significant experience in financial management. The Board views the members of the AC to have sufficient financial management expertise and experience to discharge their responsibilities properly.

The primary responsibility of the AC is to provide the support and assistance to the Board in ensuring that a high standard of corporate governance is maintained and preserved at all times. It acts as a conduit between the Board and the external auditors. The AC has the authority to investigate any matters within its terms of reference and has full discretion to invite any staff or Director of the Company to attend its meetings.

# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

The AC has written terms of reference approved by the Board. The AC's responsibilities include the following:–

- to review the audit plan of the Company's internal and external auditors and ensure the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;
- review the interim financial results and annual financial statements and the external auditors' report on the annual financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgments, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management to ensure the integrity of the financial statements of the Group and any announcements relating to the financial performance, where necessary, before submission to the Board for approval;
- to evaluate and report to the Board at least annually the adequacy and effectiveness of the Group's system of internal controls, including financial, operational and compliance, information technology controls and risk management via reviews carried out internally or with the assistance of any competent third parties;
- review and approve the Group's transfer pricing policy and hedging policy (if any), and conduct periodic reviews of the transfer pricing policy and hedging policy, together with the foreign exchange transactions and hedging activities undertaken by the Group;
- to review interested person transactions in accordance with the requirements of the Catalist Rules;
- to review the cost effectiveness, independence and objectivity of the external auditors and having reviewed the scope and value of non-audit services provided to the Group by the external auditors;
- to review and make recommendations to the Board on the appointment and re-appointment of internal and external auditors of the Company and the Group; and
- undertake such other functions and duties as may be required by statute, the Catalist Rules, or by such amendments as may be made thereto from time to time.

The AC conducts reviews of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the auditors. The fees paid to the external auditors of the Group for statutory audit services were S\$60,000 in respect of the financial year ended 31 December 2018. During the year, there were no non-audit fee paid to the external auditors.

The AC has recommended that Foo Kon Tan LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting. In recommending the re-appointment of the auditors, the AC considered and reviewed a number of key factors, including amongst other things, adequacy of the resources and experience of supervisory and professional staff as well as the audit engagement partner to be assigned to the audit, the size and complexity of the Group and its businesses and operations.

A former partner or director of company's existing auditing firm or auditing corporation should not act as a member of the Company's AC: (a) within a period of 2 years commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for so long as he has any financial interest in the auditing firm or auditing corporation.

# STATEMENT OF CORPORATE GOVERNANCE

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No former partner or director of the Company's auditing firm, Foo Kon Tan LLP, has acted as a member of the AC.

Accordingly, the Group has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointment of Foo Kon Tan LLP as the auditors of the Company and its significant subsidiary.

The Company has put in place arrangements for a whistle-blowing framework by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports will be addressed to the AC members through designated email addresses.

The AC meets the external auditors at least once annually without the presence of the Company's Management. This is to review the co-operation rendered by Management to the external auditors, the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audit, internal controls including internal audit matters and the independence and objectivity of the external auditors. It also examines any other aspects of the Company's affairs, as it deems necessary when such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations.

Through briefings and advices given by the external auditors, the AC and Management are always kept abreast of changes to accounting standards and issues which have a direct impact on financial statements.

## **Principle 13: Internal Audit**

As the Company was a cash company prior to the RTO and given the very limited extent of operations of the Group, no independent internal audit work was undertaken and the Board and AC themselves have undertaken to provide the necessary oversight of controls over the Group's assets and processes.

In view of the completion of the RTO, the Group has appointed NexiaTS as their internal auditor to review the internal audit functions of the Group. The Audit Committee is satisfied that the internal auditors are independent, have adequate resources and experience and have unfettered access to all company records as well as the AC.

## **Principle 14: Shareholder Rights**

## **Principle 15: Communication with Shareholders**

## **Principle 16: Conduct of Shareholder Meetings**

The Board ensures that all the Company's shareholders are treated fairly and equitably. They also recognise, protect and facilitate the exercise of shareholders' rights.

The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. The Company does not practice selective disclosure and shareholders are given the opportunity to participate in and vote at general meetings. All material and price sensitive information are publicly released via SGXNET either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

# STATEMENT OF CORPORATE GOVERNANCE

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Information is disseminated to shareholders on a timely basis through:–

- (a) SGXNET announcements (which are reviewed by the Company's Sponsor) and news releases;
- (b) annual reports prepared and issued to all shareholders;
- (c) press releases on major developments of the Group; and
- (d) notices of and explanatory memoranda for annual general meetings ("**AGMs**") and extraordinary general meetings ("**EGMs**").

The Company's AGMs are the principal forum for dialogue with shareholders and to understand the views of the shareholders and also for the shareholders to ask the Board questions regarding the Company. The Chairman of the Board, AC, RC and NC are usually available at the AGMs to answer any question relating to the work of these Board Committees. The external auditors are also present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGMs/EGMs to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Notice of such meetings will be advertised in newspapers and announced on SGXNET.

Currently, the Constitution of the Company allows a member of the Company to appoint up to two proxies to attend and vote at general meetings. Pursuant to Section 181 of the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote in his stead. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act. The Company is not implementing absentia-voting methods such as by mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved. Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed.

Minutes or notes of general meetings are prepared by the Company and these may be made available to shareholders upon their written application and payment of administrative fees incurred by the Company.

The Group does not have a dividend policy at the present time. No dividend was declared in respect of the financial year ended 31 December 2018 as the Company was a cash company and did not have any operations.

The Company conducts voting by poll and makes announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages. At present, the Company does not conduct voting by electronic polling as shareholder turn-out at AGM has been manageable.

## DEALING IN SECURITIES

The Company has internal compliance policies to provide guidance to its officers with regard to dealing in its securities. Officers are advised not to deal in the Company's securities on short-term considerations.

The Company has established an internal policy to inform its directors and employees not to deal in the Company's shares whilst they are in possession of unpublished material price sensitive information and also during the period commencing one month prior to the announcement of the Group's full year results, and for the period of two weeks before the announcement of the Group's quarterly results, and ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.



# STATEMENT OF CORPORATE GOVERNANCE

FY 31 DECEMBER 2018

## INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

The Company had on 27 September 2017 entered into a conditional put and call option agreement for the RTO. The RTO has since been completed on 18 February 2019.

The Company had also entered into a sale and purchase agreement dated 21 December 2018 with Mr Ong Puay Koon (then Managing Director and CEO of the Company) in relation to the disposal of an aggregate of 1,500,002 ordinary shares in the capital of MAE Engineers Pte. Ltd. for a nominal consideration of S\$1.00 pursuant to the RTO. The disposal was completed on 8 February 2019.

Other than the aforementioned agreements and the Service Agreements entered into between the Company and Mr Lim Siau Hing and Mr Lim Vhe Kai respectively, which took effect upon completion of the RTO, there were no other material contracts entered into by the Company involving the interests of the Directors or controlling shareholders either still subsisting as at 31 December 2018, or, if not then subsisting, entered into since 31 December 2018.

The Group has not obtained a shareholder's mandate pursuant to Rule 920 of the Catalist Rules of the SGX-ST.

Other than the abovementioned, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interest of the CEO, any Director, or controlling shareholder in respect of the financial year ended 31 December 2018.

## SUSTAINABILITY REPORT

In accordance with Listing Rule 711A, it is required for every listed issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in Listing Rule 711B on a 'comply or explain' basis.

As announced on 26 December 2018, the Company has not provided a sustainability report for FY2017 to its shareholders as the Company was a cash company with no operating business during that time. The Company recognises its responsibility in considering sustainability as part of its business and the Company will issue a sustainability report in due course.

## NON-SPONSORSHIP FEES

The aggregate amount of non-sponsor fees paid to the Company's Sponsor, SAC Capital Private Limited, for FY2018 was S\$340,000, for acting as the financial adviser to the Company in respect of the RTO.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors submit this statement to the members together with the audited statement of financial position of the Company for the financial year ended 31 December 2018.

In our opinion,

- (a) the accompanying statements of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2018 in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); 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.

## NAMES OF DIRECTORS

The directors of the Company in office at the date of this report are:

Tan Sri Dato' Kamaruzzaman Bin Shariff  
Ong Puay Koon  
Ong Choon Lui  
Goh Yeow Tin  
Wong Heang Fine  
Yap Boh Pin

## DIRECTORS' INTEREST IN SHARES, DEBENTURES, WARRANTS OR OPTIONS

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares, debentures, warrants or options of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
	As at 1.1.2018	As at 31.12.2018	As at 21.1.2019*	As at 1.1.2018	As at 31.12.2018	As at 21.1.2019*
<b>The Company - Lereno Bio-Chem Ltd.</b>						
Tan Sri Dato' Kamaruzzaman Bin Shariff	173,824	<b>173,824</b>	<b>8,691</b>	—	—	—
Ong Puay Koon	1,297,240	<b>1,297,240</b>	<b>64,862</b>	19,467,321	<b>19,467,321</b>	<b>973,365</b>
Ong Choon Lui	1,074,584	<b>1,074,584</b>	<b>53,729</b>	—	—	—
Goh Yeow Tin	77,152	<b>77,152</b>	<b>3,857</b>	—	—	—
Wong Heang Fine	100,128	<b>100,128</b>	<b>5,006</b>	640	<b>640</b>	<b>32</b>
Yap Boh Pin	145,248	<b>145,248</b>	<b>7,262</b>	—	—	—

\*: On 29 January 2019, the Company completed the share consolidation of 20 existing issued ordinary shares into 1 ordinary share and adjustments have been made to reflect the adjusted number of shares.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## DIRECTORS' INTEREST IN SHARES, DEBENTURES, WARRANTS OR OPTIONS (CONTINUED)

	Number of ordinary shares			
	Shares registered in the name of director		Shares in which director is deemed to have an interest	
	As at 31.12.2018		As at 31.12.2018	
	As at 1.1.2018	and 21.1.2019	As at 1.1.2018	and 21.1.2019
The fellow subsidiary – <b>MAE Engineers Pte. Ltd.</b>				
Ong Puay Koon	–	– <sup>#</sup>	1,500,002	– <sup>#</sup>

#: On 21 December 2018, the Company disposed of its 100% equity interest in MAE Engineers Pte. Ltd. to Ong Puay Koon for a consideration of S\$1.

## AUDIT COMMITTEE

The Audit Committee at the end of the financial year comprises the following members:

Yap Boh Pin (Chairman)  
Goh Yeow Tin  
Wong Heang Fine

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- overall scope of external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditor to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the adequacy, effectiveness and efficiency of the Company's risk management, internal financial systems and operating controls, including computerised information system control and security, compliance controls and risk management, and all other material controls, and any related significant findings and recommendations of the auditors, together with management's responses thereto at least on an annual basis;
- the quarterly financial information and the statement of financial position of the Company and the financial statements of the Company for the financial year ended 31 December 2018 as well as the auditor's report thereon; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## AUDIT COMMITTEE (CONTINUED)

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to The Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiary we have complied with Rules 712 and 715 of the SGX Listing Manual.

## INDEPENDENT AUDITOR

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the directors

.....  
ONG PUAY KOON

.....  
ONG CHOON LUI

Dated: 15 February 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LERENO BIO-CHEM LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Lereno Bio-Chem Ltd. (the Company), which comprise the statement of financial position of the Company as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the 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 Company 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.

### 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 year. 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.

The Company has been a cash company pursuant to Rule 1017 of the Catalist Rules since 17 August 2015 and the Company was given two extensions from SGX-ST to meet the requirements of a new listing by 28 February 2019. On 18 January 2019, the shareholders of the Company approved the acquisition of Knit Textile and Apparel Pte. Ltd. for a consideration of S\$26.4 million based on the terms and subject to the conditions set out in the conditional put and call option agreement dated 27 September 2017 and the second supplemental agreement dated 31 August 2018 entered into between the Company and Mr. Lim Siau Hing @ Lim Kim Hoe (the “Vendor”). We have determined that there are no key audit matters to report for the financial year ended 31 December 2018.

### Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon. The other information mainly comprises the chairman statement, financial and operations review, the statement of Corporate Governance and directors' statement. The chairman statement, financial and operation review and the statement of corporate governance are expected to be made available to us after the date of this auditor's report.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LERENO BIO-CHEM LTD.

## Other Information (Continued)

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.

When we read the chairman statement, financial and operation review and the statement of corporate governance, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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

## 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 Company's internal control.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LERENO BIO-CHEM LTD.

## **Auditor's Responsibilities for the Audit of the Financial Statements** (Continued)

- 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 Company'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 Company 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.

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 year 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 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 Kong Chih Hsiang Raymond.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore,  
15 February 2019

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

The Company	Note	As at 31 December 2018 \$'000	As at 31 December 2017 \$'000	As at 1 April 2017 \$'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Plant and equipment	4	–	–	14
Subsidiary	5	–	–	–
		–	–	14
<b>Current Assets</b>				
Other receivables	6	14	15	22
Prepayments		9	11	20
Amount due from a subsidiary (non-trade)	7	–	–	–
Amount due from a related party (non-trade)		–	–	7
Cash and bank balances	8	12	14	18
		35	40	67
<b>Total assets</b>		35	40	81
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	9	36,827	36,827	36,827
Accumulated losses		(43,099)	(42,662)	(42,993)
<b>Total equity</b>		(6,272)	(5,835)	(6,166)
<b>Current Liabilities</b>				
Amounts due to related parties (non-trade)	10	5,197	5,197	36
Other payables	11	1,110	678	6,211
<b>Total current liabilities</b>		6,307	5,875	6,247
<b>Total equity and liabilities</b>		35	40	81

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>	<b>Note</b>		
Other income	12	1	64
Expenses:			
– Audit fees		(70)	(45)
– Depreciation of plant and equipment		–	(3)
– Legal and other professional fees		(142)	(101)
– Staff costs	13	(157)	544
– Operating lease expenses		(16)	(18)
– Impairment loss on non-trade amounts due from a subsidiary		–	(62)
– Plant and equipment written off		–	(11)
– Printing and stationery expenses		(20)	(21)
– Insurance		(15)	(12)
– Others		(18)	(4)
(Loss)/profit before taxation	14	(437)	331
Taxation	15	–	–
(Loss)/profit for the year/period, representing total comprehensive (loss)/profit for the year/period attributable to equity owners of the Company		<u>(437)</u>	<u>331</u>
(Loss)/profit per share (SGD Cents) attributable to equity owners of the Company			
– Basic/diluted (loss)/profit per share	16	<u>(0.59)</u>	<u>0.45</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

<b>The Company</b>	<b>Share capital \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 April 2017	36,827	(42,993)	(6,166)
Profit for the period, representing total comprehensive income for the period	–	331	331
Balance at 31 December 2017	36,827	(42,662)	(5,835)
Loss for the year, representing total comprehensive loss for the year	–	(437)	(437)
Balance at 31 December 2018	<b>36,827</b>	<b>(43,099)</b>	<b>(6,272)</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Company	Note	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>Cash Flows from Operating Activities</b>			
(Loss)/profit before taxation		(437)	331
Adjustments for:			
Depreciation of plant and equipment	4	–	3
Impairment loss on the non-trade amount due from a subsidiary	14	–	62
Plant and equipment written off		–	11
Waiver of non-trade payable (Note A)	14	–	(58)
Write back of directors' fees (Note A)	14	–	(600)
Write back of CPF contribution related to directors' Remuneration (Note A)	14	–	(7)
Write back of operating expenses (Note A)	14	–	(2)
Write back of professional fees (Note A)	14	–	(26)
Operating loss before working capital changes		(437)	(286)
Changes in operating receivables		1	(55)
Changes in prepayments		2	9
Changes in operating payables		41	(96)
Net cash used in operating activities		(393)	(428)
<b>Cash Flows from Financing Activity</b>			
Increase in loan from a director (Note A)		391	424
Net cash generated from financing activity		391	424
Net decrease in cash and cash equivalents		(2)	(4)
Cash and cash equivalents at beginning		14	18
Cash and cash equivalents at end	8	12	14

## Note A:

### Reconciliation of liabilities arising from financing activity

	As at 31 December 2017 \$'000	Cash flows – Proceeds from loans from a director \$'000	As at 31 December 2018 \$'000
Amounts due to related parties (Non-trade) (Note 10)	(5,197)	–	(5,197)
Loans from a director (Note 11)	(290)	(391)	(681)
	(5,487)	(391)	(5,878)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	----- Cash flows -----					
	As at 31 March 2017 \$'000	Non-cash adjusting items# \$'000	Working capital changes \$'000	Cash flows – Increase in loan from a director \$'000	Other non-cash flow movement \$'000	As at 31 December 2017 \$'000
Amounts due from a related party	7	–	–	–	(7)	–
Amounts due to related parties	(36)	–	–	–	(5,161)	(5,197)
Other payables (Note 11):						
Loan from directors	(3,799)	–	–	(424)	3,933	(290)
Accruals	(2,207)	635	(22)	–	1,235	(359)
Miscellaneous creditors	(205)	58	118	–	–	(29)
		<u>693</u>	<u>96</u>	<u>(424)</u>	<u>–</u>	

# Non-cash adjusting items refer to the following:

	\$'000
Write back of directors' fees	(600)
Write back of CPF contribution related to directors' remuneration	(7)
Write back of operating expenses	(2)
Write back of professional fees	(26)
Waiver of non-trade payable	(58)
	<u>(693)</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 1 GENERAL INFORMATION

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 80 Robinson Road #02-00, Singapore 068898.

The principal activity of the Company is that of an investment holding company. On 21 December 2018, the Company disposed of its 100% equity interest in MAE Engineers Pte. Ltd. to Mr. Ong Puay Koon, who is the controlling shareholder of the Company, as part of the conditions precedent of the proposed acquisition of the entire issued ordinary shares in the capital of Knit Textile and Apparel Pte. Ltd. With the completion of the disposal, the Company did not have any subsidiary nor associated company as at 31 December 2018. Accordingly, only the financial statements of the Company are presented therein.

## 2 GOING CONCERN

The Company incurred losses for the financial year of \$437,000 (2017 – reported profit of \$331,000) and reported net operating cash outflows of \$393,000 (2017 – \$428,000) for the financial year ended 31 December 2018; and as at the balance sheet date, the Company's current liabilities exceeded the Company's current assets by \$6,272,000 (2017 – \$5,835,000) and the Company have a net deficit in equity of \$6,272,000 (31 December 2017 – \$5,835,000).

On 27 September 2017, the Company entered into a conditional put and call agreement with Knit Textile and Apparel Pte. Ltd. ("Knit Textile") to acquire the entire issued share capital of Knit Textile and its 5 subsidiaries ("Knit Textile Group") ("Proposed Acquisition"), which will, upon completion of the restructuring exercise, hold the entire issued share capital of (a) Knit Textiles Mfg. Sdn. Bhd., a company incorporated in Malaysia, (b) Ocean Art & Embellishment Sdn. Bhd., a company incorporated in Malaysia, (c) Moon Apparel (Cambodia) Co. Ltd, a company incorporated in Cambodia, (d) Callisto Apparel (Cambodia) Co. Ltd, a company incorporated in Cambodia, and (e) Xentika Limited, a company incorporated in Seychelles. The purchase consideration is agreed at \$26,400,000, which shall be fully satisfied on completion by way of allotment and issuance of 132 million new consolidated ordinary shares of the Company at an issue price of \$0.20 per share to the vendor of Knit Textile. The Proposed Acquisition, if it proceeds to completion, will constitute a reverse takeover ("RTO") transaction as defined in Chapter 10 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and will be subject to, inter alia, the approval of SGX-ST and shareholders of the Company.

During this period, the Company was given two extensions by SGX-ST to meet the requirements of a new listing by 28 February 2019. Subsequently, at the Extraordinary General Meeting held on 18 January 2019, the Proposed Acquisition was duly approved by the shareholders of the Company (See Note 23).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 GOING CONCERN (CONTINUED)

The directors of the Company are of the view that the going concern assumption is appropriate for the preparation of these financial statements as the directors believe that (i) the Company has received the continuing financial support from one of the Company's existing substantial shareholders to meet its liabilities and its operating expenses to be incurred up to 18 February 2019 (date of completion of the RTO) and has also received letters of undertaking from a substantial shareholder and a related company of the substantial shareholder that they will not be demanding repayments of the advances extended by them to the Company, which amounted to \$0.68 million and \$5.17 million respectively, up to 18 February 2019. The outstanding amounts due to them will subsequently be extinguished via the issuance of settlement shares to the substantial shareholder and a related company at the completion of RTO; and (ii) the Company will meet the requirements of SGX-ST and lift the "cash company" status of the Company with the completion of the Proposed Acquisition and the Knit Textile Group will be able to generate sufficient operating cash flows from its daily operations to fund its working capital needs.

The conditions and events mentioned above indicate that there are no material uncertainties existing at the balance sheet date, which relate to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern.

## 3(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)), SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in preparing these financial statements promulgated by the Accounting Standards Council ("ASC"). These financial statements are the Company's first financial statements to be prepared in accordance with SFRS(I).

The Company's financial statements until 31 December 2017 had been prepared in accordance with Singapore Financial Reporting Standards ("SFRS"), SFRS differs in certain respects from SFRS(I). The Company's financial statements for the financial year ended 31 December 2018 have been prepared in accordance with SFRS(I), and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. As a result, this is the first set of financial statements prepared under SFRS(I).

In adopting the new framework, management has performed an assessment of the impact of SFRS(I) for the transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Company does not expect to change its existing accounting policies on adoption of the new framework based on its assessment.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

The accounting policies have been applied consistently to all years presented in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(A) BASIS OF PREPARATION (CONTINUED)

### Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 differ from those estimates. There are no areas requiring the use of significant judgement during the financial year.

The critical accounting estimates and assumptions used are described below.

### Critical accounting estimates and assumptions used in applying accounting policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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. The Company based its assumptions and estimate on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumption when they occur.

#### Reversal and allowance for impairment losses on other receivables (Note 6)

Reversal and allowances for impairment losses are based on an assessment of the recoverability of other receivables. Allowances are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impaired debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and impaired debt expenses in the period in which such estimate has been changed.

## 3(B) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS EFFECTIVE AND NOT YET EFFECTIVE

### (i) **Applicable to 2018 financial statements**

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Company's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I), and IFRS issued by the International Accounting Standards Board. As a result, this will be the first set of financial statements prepared under SFRS(I)s.

In adopting the new framework, the Company will be required to apply the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards* and then SFRS(I)s.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(B) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS EFFECTIVE AND NOT YET EFFECTIVE (CONTINUED)

### (i) Applicable to 2018 financial statements (Continued)

In addition to the adoption of the new framework, the following relevant new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective from the same date.

Reference	Description
SFRS(I) 1	<i>First-time Adoption of Singapore Financial Reporting Standards (International)</i>
SFRS(I) 9	<i>Financial Instruments</i>
SFRS(I) 15	<i>Revenue from Contracts with Customers</i>

The application of the above standards and interpretations does not have any impact on the financial statements for the current financial year.

#### SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

When the Company adopts SFRS(I) in 2018, the Company will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Company. SFRS(I) 1 generally requires that the Company applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Company does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

#### SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* replaces FRS 39 and it is a package of improvements introduced by ASC. SFRS(I) 9 includes a logical model for:

- classification and measurement,
- a single, forward – looking “expected loss” impairment model for calculating impairment of financial assets, and
- a substantially reformed approach to hedge accounting.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

Full retrospective adjustment is required for Singapore companies listed on SGX currently reporting under SFRS.

The Company has reassessed all financial instruments and the adoption of SFRS(I) 9 does not have any impact on the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(B) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS EFFECTIVE AND NOT YET EFFECTIVE (CONTINUED)

### (i) Applicable to 2018 financial statements (Continued)

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 *Revenue from Contracts with Customers* requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange.

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract.
- Determine whether an entity is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided).
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018.

Full retrospective adjustment is required for Singapore companies listed on SGX currently reporting under SFRS.

The Company does not have any operating business and is a cash company as defined under Rule 1017 of Section B: Rules of Catalyst (the "Catalist Rules") of the Listing Manual of the SGX-ST. The Company does not expect the application of SFRS(I) 15 to have any impact on the Company's financial statements.

### (ii) Issued but not yet effective

The following are the new or amended SFRS(I) issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(B) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS EFFECTIVE AND NOT YET EFFECTIVE (CONTINUED)

### (ii) Issued but not yet effective (Continued)

#### SFRS(I) 16 Leases

SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it requires lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. Management does not plan to early adopt SFRS(I) 16.

As at 31 December 2018, the Company has entered into a lease arrangement with a company, in which a substantial shareholder of the Company, who is also a director but not a shareholder of the Company till 14 May 2019. Management will be electing the short-term exemption under SFRS(I) 16.

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Plant and equipment and depreciation

All items of plant and equipment are initially recorded at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying plant and equipment. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculating using the straight-line method to allocate the depreciable amount over their estimated useful lives as follows:

Office furniture and equipment	1 to 5 years
Computer	3 years
Renovation	5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

For acquisitions and disposals during the year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Plant and equipment and depreciation (Continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

### Subsidiary

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

### Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Disclosures on financial risk management objectives and policies are provided in Note 20.

### Financial assets

#### Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes a party to the contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as financial assets at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

The Company's financial assets at amortised cost includes other receivables and cash and bank balances.

The Company does not hold any financial assets at fair value through profit or loss and financial assets designated at fair value through other comprehensive income (FVOCI).

#### Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 – months (a 12 – months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For contract assets, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with financial institutions which are subject to an insignificant risk of changes in value.

#### Share capital

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

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of comprehensive income. Directly attributable transaction costs are recognised in the statement of comprehensive income as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of comprehensive income. The Company's financial liabilities include other payables and amounts due to related parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities (Continued)

#### Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of comprehensive income.

#### Contract balances

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Company transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

#### 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 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 Company or a parent of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

- (b) An entity is related to 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 the 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 party 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. If the Company is itself such a plan, the sponsoring employers are also 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); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

### Leases

#### Where the Company are the lessee

#### Operating leases

Rentals on operating leases are charged to statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in statement of comprehensive income when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income taxes

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associate, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

### Employee benefits

#### Pension obligations

The Company participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated company contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to the statement of comprehensive income in the year to which the contributions relate.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Employee benefits** (Continued)

#### Employee leave entitlements

Employee leave entitlements to annual leave are recognised when they accrue to the employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting year.

#### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel.

#### Equity compensation benefits

Employees of the Company may receive remuneration in the form of equity-settled, share-based compensation plan as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the date on which options or shares are granted excluding the impact of any non-market vesting conditions (for example, profit and sales growth targets). This cost is recognised in statement of comprehensive income, with a corresponding increase in the share capital of the Company over the vesting year. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting year has expired and the Company's best estimate of the number of shares that will ultimately vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. The charge or credit to statement of comprehensive income for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for shares that do not ultimately vest, except for shares where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance and/or service conditions are satisfied.

### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets subject to impairment are reviewed at end of each reporting year to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Impairment of non-financial assets** (Continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of comprehensive income. An impairment loss is reversed in the statement of comprehensive income if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

### **Functional and presentation currency**

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

### **Operating segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments' operating results are reviewed regularly by the Company's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on operating segments are shown in Note 19 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 PLANT AND EQUIPMENT

The Company	Office furniture and equipment \$'000	Computer \$'000	Renovation \$'000	Total \$'000
<u>Cost</u>				
At 1 April 2017	1	1	48	50
Written off	(1)	(1)	(48)	(50)
At 31 December 2017, 1 January 2018 and <b>31 December 2018</b>	–	–	–	–
<u>Accumulated depreciation</u>				
At 1 April 2017	–	–	36	36
Depreciation for the period	–	–	3	3
Written off	–	–	(39)	(39)
At 31 December 2017, 1 January 2018 and <b>31 December 2018</b>	–	–	–	–
<u>Carrying amount</u>				
At 31 December 2017, 1 January 2018 and <b>31 December 2018</b>	–	–	–	–

## 5 SUBSIDIARY

The Company	31 December 2018 \$'000	31 December 2017 \$'000
Unquoted equity investments, at cost:		
At beginning of year/period	1,503	1,503
Disposal of a subsidiary	(1,503)	–
At end of year/period	–	1,503
Allowance for impairment loss:		
At beginning of year/period	(1,503)	(1,503)
Disposal of a subsidiary	1,503	–
At end of year/period	–	(1,503)
Net	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 SUBSIDIARY (CONTINUED)

The details of the subsidiary are as follow:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2018	2017	2018	2017	
		\$'000	\$'000			
<u>Held by the Company</u>						
MAE Engineers Pte. Ltd. ("MAE Engineers")* (See Note A)	Singapore	–	1,503	–	100%	Inactive
		–	1,503			

\* Audited by Foo Kon Tan LLP

### Note A:

On 21 December 2018, the Company entered into a sale and purchase agreement with a director and controlling shareholder of the Company in relation to the disposal of the entire issued 1,500,002 ordinary shares in the capital of MAE Engineers ("MAE Engineers Shares") for a nominal cash consideration of S\$1.00. The nominal consideration takes into account that MAE Engineers has been dormant since April 2008 and has no business nor operations, no recurring income and negative equity.

The disposal was completed on 28 December 2018. Accordingly, MAE Engineers ceased to be a subsidiary of the Company. Arising from this, a gain on disposal of MAE Engineers of \$4,000 and \$1 were recorded in the consolidated statement of comprehensive income and the Company's separate statement of comprehensive income, respectively.

The attributable net liabilities of the subsidiary disposed of as at 31 December 2018 are as follows: –

	MAE Engineers \$'000
Cash and cash equivalent	5
Other payables	(9)
Net liabilities disposed of	(4)
Cash consideration	–#
Gain on disposal of a subsidiary recorded in the consolidated statement of comprehensive income	4
Cash consideration received	–#
Cash and cash equivalent disposed	5
Cash outflow on disposal of a subsidiary	(5)

#: Cash consideration of \$1

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6 OTHER RECEIVABLES

	31 December 2018 \$'000	31 December 2017 \$'000
<b>The Company</b>		
Rental deposits	1	1
GST receivables	13	14
Allowance for impairment losses	–	–
Net other receivables	14	15

The movement of allowance for impairment losses is as follows:

	31 December 2018 \$'000	31 December 2017 \$'000
<b>The Company</b>		
At beginning of year/period	–	(43)
Impairment loss utilised	–	43
At end of year/period	–	–

Other receivables are denominated in Singapore dollars.

On 31 December 2017, the Company wrote off the total balance of sundry receivables which amounted to \$43,000. Accordingly, all related impairment losses related to those amounts were utilised.

## 7 AMOUNTS DUE FROM A SUBSIDIARY (NON-TRADE)

	31 December 2018 \$'000	31 December 2017 \$'000
<b>The Company</b>		
Amounts due from a subsidiary	–	9,315
Allowance for impairment losses	–	(9,315)
	–	–

The movement of allowance for impairment losses is as follows:

	Year ended 31 December 2018 \$'000	9 month period ended 31 December 2017 \$'000
<b>The Company</b>		
At beginning of year/period	–	(9,253)
Impairment loss recognised	–	(62)
Impairment loss utilised	–	9,315
At end of year/period	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7 AMOUNTS DUE FROM A SUBSIDIARY (NON-TRADE) (CONTINUED)

The non-trade amounts due from a subsidiary represent advances that were unsecured, interest-free, repayable on demand. In FY2017, management recognised an impairment loss of \$62,000 on the non-trade amounts due from a subsidiary.

On 31 December 2017, the Company wrote off the total non-trade amounts due from its subsidiary amounting to \$9,315,000. Accordingly, all impairment losses related to those amounts were utilised.

## 8 CASH AND BANK BALANCES

Cash and bank balances representing cash and cash equivalents, are denominated in Singapore dollars.

## 9 SHARE CAPITAL

The Company	Number of shares		Amounts	
	2018 '000	2017 '000	2018 \$'000	2017 \$'000
<b>Ordinary shares issued and fully paid with no par value</b>				
Balance at beginning and at end	<b>73,632</b>	73,632	<b>36,827</b>	36,827

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at the meetings of the Company. All share rank equally with regard to the Company's residual assets.

## 10 AMOUNTS DUE TO RELATED PARTIES (NON-TRADE)

The non-trade amounts due to related parties, representing advances that are unsecured, interest-free, repayable on demand.

The non-trade amounts due to related parties are denominated mainly in Malaysian Ringgit. The related parties are corporate entities who are subject to common control or common significant influence by a director of the Company.

## 11 OTHER PAYABLES

The Company	2018 \$'000	2017 \$'000
Accruals	<b>429</b>	359
Miscellaneous creditors	–	29
Loans from a director	<b>681</b>	290
Financial liabilities at amortised cost	<b>1,110</b>	678

Other payables are denominated in Singapore dollars.

The loans from a director are unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 OTHER INCOME

	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>		
Waiver of non-trade payable	-	58
Others	1	6
	<b>1</b>	<b>64</b>

## 13 STAFF COSTS

	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>		
Directors' fee – directors of the Company	57	43
Directors' remuneration other than fees		
– CPF contributions	-	-
– Write back of directors' fees (Note 14)	-	(600)
– Write back of CPF contribution related to directors' remuneration (Note 14)	-	(7)
	<b>57</b>	<b>(564)</b>
Key management personnel (other than directors)		
– salaries and other related costs	65	10
– CPF contributions	11	2
	<b>76</b>	<b>12</b>
Other than key management personnel		
– salaries and other related costs	22	7
– CPF contributions	2	1
	<b>24</b>	<b>8</b>
Total staff costs	<b>157</b>	<b>(544)</b>

### Directors' interest in share scheme

During the current financial year, Nil (2017 – Nil) shares were granted to directors under Restricted Share Scheme ("RSS"). As at the reporting date, the Company has already issued a total of 24,210,000 (2017 – 24,210,000) shares to the directors under RSS. All RSS shares granted to the directors have now been issued. The RSS had expired on 13 July 2017.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 STAFF COSTS (CONTINUED)

### Directors' interest in share scheme (Continued)

During the current financial year, Nil (2017 – Nil) shares were granted. As at the reporting date, Nil (2017 – Nil) shares were issued to directors under Performance Share Scheme ("PSS"). The PSS had expired on 13 July 2017.

The number of directors of the Company with remuneration for the year from the Company is in the following ranges:

	Year ended 31 December 2018	Period from 1 July 2017 to 31 December 2017
<b>The Company</b>		
\$250,000 to \$499,999	–	–
Below \$250,000	6	6
	<b>6</b>	<b>6</b>

## 14 (LOSS)/PROFIT BEFORE TAXATION

		Year ended 31 December 2018 \$'000	Period from 1 July 2017 to 31 December 2017 \$'000
<b>The Company</b>	<b>Note</b>		
(Loss)/profit before taxation is arrived at after charging/(crediting):			
Impairment loss on the non-trade amounts due from a subsidiary	7	–	62
Insurance expenses		<b>15</b>	12
Plant and equipment written off	4	–	11
Printing and stationery expenses		<b>20</b>	21
Waiver of payable		–	(58)
Write back of directors' fees		–	(600)
Write back of CPF contribution related to directors'		–	(7)
Write back of operating expenses		–	(2)
Write back of professional fees		–	(26)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 15 TAXATION

The tax expense on results of the financial year/period varies from the amount of income tax determined by applying the Singapore statutory rate of income tax as a result of the following:

	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>		
(Loss)/profit before taxation	(437)	331
Tax at statutory rate of 17% (2017 – 17%)	(74)	56
Tax effect on non-deductible expenses	74	(56)
	–	–

No current taxation has been provided in the financial statements as the Company has no taxable income.

## 16 (LOSS)/PROFIT PER SHARE

Basic (loss)/profit per share is calculated based on the (loss)/profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue of 73,631,858 (2017 – 73,631,858) shares during the financial year.

The following reflects the profit or loss and share data used in the computation of basic and diluted (loss)/profit per share for the year/period ended 31 December:

	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>		
Net (loss)/profit attributable to ordinary shareholders used in computation of basic and diluted (loss)/profit per share	(437)	331

The diluted (loss)/profit per share is the same as the basic (loss)/profit per share because of the net (loss)/profit suffered.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17 OPERATING LEASE COMMITMENTS

At the end of the reporting year, the Company were committed to making the following rental payments in respect of non-cancellable operating leases of office equipment, office premise and warehouse premise with an original term of more than one year:

The Company	2018 \$'000	2017 \$'000
Not later than one year, representing total operating lease commitments	5	5

On 18 April 2018, the Company entered into a lease with a company, in which a substantial shareholder of the Company, who is also a director but not a shareholder of that company. The lease term is for a period of 12 months, commencing from 15 May 2018 to 14 May 2019, at a monthly rental of \$1,000.

## 18 SHARE SCHEMES

The Restricted Share Scheme ("RSS") and Performance Share Scheme ("PSS") of the Company were approved and adopted by its members at an extraordinary meeting on 14 July 2007. The share schemes are supervised by the Remuneration Committee comprising directors of the Company, duly authorised and appointed by the Board. The total share-based payment for the year is \$Nil (2017 – \$Nil), which comprise \$Nil (2017 – \$Nil) and \$Nil (2017 – \$Nil) of RSS and PSS respectively.

### Restricted Share Scheme ("RSS")

The RSS shares will typically vest only after the satisfactory completion of time-based service conditions, that is, after the employees and directors of the Company and its subsidiaries ("Participants") have served the Company and/or any of its subsidiaries for a specified number of years (also known as time-based restricted awards). No minimum vesting periods are prescribed under RSS, and the length of the vesting period(s) in respect of each RSS share will be determined on a case-by-case basis. The eligible Participants are to receive fully paid shares free of charge. The RSS may be granted at any time in the year although it is anticipated this would be once a year. The RSS shall continue in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the date on which the RSS was approved. There were no shares (2017 – Nil) granted and issued under RSS in the year to eligible Participants. The RSS had expired on 13 July 2017.

### Performance Share Scheme ("PSS")

The PSS is based on specific and pre-determined measurable targets which are not time-related. The PSS contemplates the award of fully paid shares when and after pre-determined measurable performance and/or any significant contribution to the Company has been achieved. The eligible Participants are to receive fully paid shares free of charge. The PSS may be granted at any time in the year although it is anticipated this would be once a year. The PSS shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years commencing on the date on which the PSS was approved. There were no shares (2017 – Nil) granted and issued under PSS to eligible Participants. The PSS had expired on 13 July 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 SEGMENT INFORMATION

The segment information is not presented as the Company has been a cash company as defined under Rule 1017 of the Catalist Rules of the Listing Manual of SGX-ST since 17 August 2015.

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, foreign currency risk and credit risk. The Company's principal financial instruments comprise amounts due to related parties, obligations under hire-purchase and cash and bank balances. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Company do not hold or issue derivative financial instruments.

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

### 20.1 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As at the end of the reporting year, the Company's currency exposures are insignificant.

### 20.2 Interest rate risk

Interest rate risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in market interest rates. As at the end of the reporting year, the Company does not have exposure to interest rate risk.

### 20.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge their obligations and cause the Company to incur a financial loss. There is no significant credit risk exposure to the Company. Cash is held with established financial institutions.

### 20.4 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Company do not hold any quoted or marketable financial instruments, hence is not exposed to any movement in market prices.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 20.5 Liquidity risk

Liquidity or funding risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's objective is to maintain a balance between continuity of funding and flexibility through amounts due to related parties. To ensure the continuity of funding for the Company's operations, the Company obtains short-term funding from its major shareholders.

The Company's financial liabilities presented on the statement of financial position approximate the amount of contractual undiscounted cash flows and mature within one year.

## 21 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as a going concern and is dependent on short-term funding from its major shareholders and accordingly, management considers liquidity as the key constituent of capital management.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables and amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to the equity holders.

The gearing ratio is calculated as net debt divided by total capital as follows:

	Year ended 31 December 2018 \$'000	Period from 1 April 2017 to 31 December 2017 \$'000
<b>The Company</b>		
Other payables (Note 11)	1,110	678
Add: Amounts due to related parties (non-trade) (Note 10)	5,197	5,197
Less: Cash and bank balances (Note 8)	(12)	(14)
Net debt	6,295	5,861
Deficit in total equity attributable to equity holders	(6,272)	(5,835)
Net debt-to-adjusted capital ratio	NA <sup>#</sup>	NA <sup>#</sup>

<sup>#</sup>: Not applicable as the Company are in net debt position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22 FINANCIAL INSTRUMENTS

### Fair value

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to be approximate their fair values.

However, the Company do not anticipate that the carrying amounts recorded at the end of the reporting year would be significantly different from the values that would eventually be received or settled.

## 23 SUBSEQUENT EVENTS

### Extraordinary General Meeting

On 18 January 2019, the Company announced that all the resolutions tabled at the Company's Extraordinary General Meeting (“EGM”) on 18 January 2019 were duly passed and approved by the shareholders. The approved resolutions include: –

- (1) The proposed acquisition of the entire issued and paid-up share capital of Knit Textile and Apparel Pte. Ltd. (the “Knit Textile”) for a consideration of S\$26.4 million (the “Proposed Acquisition”);
- (2) The proposed allotment and issue of the consideration shares in satisfaction of the consideration for the proposed acquisition;
- (3) The proposed whitewash resolution for the waiver by independent shareholders of their rights to receive a mandatory general offer from the Vendor and the family trust company for all the shares in issue not already owned, controlled or agreed to be acquired by the vendor, the family trust company and their concert parties on completion of the proposed acquisition;
- (4) The proposed allotment and issue of the transaction costs shares;
- (5) The proposed allotment and issue of the settlement shares as an interested person transaction;
- (6) The proposed share consolidation of every twenty (20) ordinary shares into one (1) consolidated share (fractional entitlements to be disregarded);
- (7) The proposed capital reduction;
- (8) The proposed appointment of the new directors upon the completion of the proposed acquisition;
- (9) The proposed change of name of the Company from “Leren Bio-Chem Ltd.” to “KTMG Limited”;
- (10) The proposed amendments to the existing constitution of the Company; and
- (11) The proposed adoption of a general mandate for the allotment and issue of new shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 23 SUBSEQUENT EVENTS (CONTINUED)

### Creditor Objection Period

As approved by the shareholders by way of a special resolution at EGM of the Company held on 18 January 2019, the Company will be undertaking the Proposed Capital Reduction to reduce its share capital in accordance with Section 78C of the Companies Act to write off part of the accumulated losses of the Company.

The Proposed Capital Reduction is subject to, among other things, no application having been made for the cancellation of the shareholders' resolution approving the Proposed Capital Reduction by any creditor of the Company within the six (6) weeks commencing with the date on which the Proposed Capital Reduction was approved by the shareholders ("Creditor Objection Period"), or if such application was made, the withdrawal or dismissal thereof by the judicial authorities.

The Board announced that the Creditor Objection Period has commenced on 18 January 2019.

### Share consolidation

On 29 January 2019, the Company announced that the completion of the proposed consolidation of every twenty (20) existing shares on 28 January 2019 into one (1) consolidated share.

### Expected completion date of the Proposed Acquisition

On 8 February 2019, the Company announced that the completion of the Proposed Acquisition is expected to take place on or before 28 February 2019.

### Exercise of Option, Expected Completion Date and Suspension of Trading

On 14 February 2018, the Company announced that the restructuring exercise in relation to the Knit Textile Subsidiaries in Malaysia had been completed. The Company has exercised the call option under the terms of the Option Agreement on 14 February 2019 and the Completion is scheduled to take place on 18 February 2019.

The Company has also announced that the (i) Consideration Shares, (ii) Transaction Costs Shares, and (iii) Settlement Shares will be issued and allotted on 18 February 2019. Pending the completion of the Proposed Bin Tai Holdings Private Limited Placement (the "Proposed Bin Tai Placement"), the percentage of shares (excluding treasury shares, preference shares and convertible equity securities) held in public hands will be approximately 1.35%, which is below the 15.0% public float requirement under Rule 1015(3)(a) read with Rule 406(1) of the Catalist Rules.

Trading will resume after the Proposed Bin Tai Placement is completed and the Company will be in compliance with the 15.0% public float requirement. Based on the indicative timetable set out in the Circular, the Proposed Bin Tai Placement will take two (2) to three (3) months to be completed.

## 24 COMPARATIVE FIGURE

The comparatives are presented at the Company level amounts as consolidated financial statements are not required to be prepared because the entity is no longer a parent at the reporting date.



# SHAREHOLDING STATISTICS

## SHARE CAPITAL INFORMATION (AS AT 25 MARCH 2019)

Issued and fully paid-up capital	:	\$33,201,000.00
Number of Shares (excluding treasury shares and subsidiary holdings)	:	169,681,544
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per share

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS (AS AT 25 MARCH 2019)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	2,641	61.38	73,453	0.04
100 – 1,000	1,411	32.79	445,592	0.26
1,001 – 10,000	209	4.86	587,995	0.35
10,001 – 1,000,000	38	0.88	1,663,797	0.98
1,000,001 and above	4	0.09	166,910,707	98.37
<b>Total</b>	<b>4,303</b>	<b>100.00</b>	<b>169,681,544</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

### (AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2019)

	Direct Interest	%	Deemed Interest	%
Lim Siau Hing @ Lim Kim Hoe <sup>(1)</sup>	51,500,000	30.35	85,000,000	50.09
Lim Vhe Kai <sup>(2)</sup>	–	–	85,000,000	50.09
Ong Puay Koon <sup>(3)</sup>	64,862	0.04	24,973,365	14.72
Wyandotte Capital Limited	85,000,000	50.09	–	–
Bin Tai Holdings Private Limited	24,910,707	14.68	–	–

#### Notes:

- (1) Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Lim Siau Hing @ Lim Kim Hoe is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Lim Siau Hing @ Lim Kim Hoe is a beneficiary.
- (2) Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Lim Vhe Kai is treated as having an interest in the shares of KTMG Limited held by Wyandotte Capital Limited because the entire issued and paid-up share capital of Wyandotte Capital Limited is held by Lion Trust (Singapore) Limited for a family trust of which Lim Vhe Kai is a beneficiary.
- (3) Pursuant to Section 4 of the Securities and Futures Act (Cap 289), Ong Puay Koon is treated as having an interest in the shares in the Company held by Bin Tai Holdings Private Limited for 24,910,707 ordinary shares and Bintai Kinden Corporation Berhad for 62,658 ordinary shares respectively.

# SHAREHOLDING STATISTICS

## LIST OF TWENTY LARGEST SHAREHOLDERS (AS AT 25 MARCH 2019)

#No.	Name	No. of Shares	%
1	WYANDOTTE CAPITAL LIMITED	85,000,000	50.09
2	LIM SIAU HING @ LIM KIM HOE	51,500,000	30.35
3	BIN TAI HOLDINGS PRIVATE LIMITED	24,910,707	14.68
4	CHONG LEE CHING	5,500,000	3.24
5	SPEKTRA ANGGUN SDN BHD	278,265	0.16
6	PHILLIP SECURITIES PTE LTD	139,342	0.08
7	HAI KHIM ELECTRIC	125,000	0.07
8	ANDREA RUTH BOULT	84,491	0.05
9	DESA KONSEP SDN BHD	78,700	0.05
10	OCBC SECURITIES PRIVATE LTD	74,854	0.04
11	RHB SECURITIES SINGAPORE PTE LTD	66,666	0.04
12	ONG PUAY KOON	64,862	0.04
13	BINTAI KINDEN CORPORATION BERHAD	62,658	0.04
14	TAN CHONG HOE	55,765	0.03
15	ONG CHOON LUI (WANG CHUNLEI)	53,729	0.03
16	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	49,534	0.03
17	KONG OI-YI DAWN	48,062	0.03
18	UOB KAY HIAN PTE LTD	42,883	0.03
19	SEACARE FOUNDATION PTE LTD	38,431	0.02
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	33,607	0.02
<b>Total</b>		<b>168,207,556</b>	<b>99.12</b>

## SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 25 March 2019, approximately 4.76% of the issued ordinary shares of the Company is being held by the public. As disclosed in the Circular dated 21 December 2018, Bin Tai Holdings Private Limited will be undertaking the Proposed Bin Tai Placement immediately after the completion of the Proposed Acquisition in order for the Company to comply with the public float requirement under Rule 406(1) of the Catalist Rules. Please refer to the Circular dated 21 December 2018 for more information.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Vibrant Theatre, 51 Cuppage Road, #03-03, Singapore 229469 on Monday, 29 April 2019 at 10.00 a.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Yap Boh Pin, a Director retiring pursuant to Regulation 95 of the Company's Constitution. **(Resolution 2)**  
[See Explanatory Note 1]
3. To re-elect the following Directors retiring pursuant to Regulation 96 of the Company's Constitution.
  - (a) Mr Lim Siau Hing @ Lim Kim Hoe **(Resolution 3)**
  - (b) Mr Lim Vhe Kai **(Resolution 4)**
  - (c) Mr Koh Boon Huat **(Resolution 5)**
 [See Explanatory Note 2]
4. To approve the Directors' fees of S\$57,600 for the financial year ended 31 December 2018. (31 December 2017: S\$43,200) **(Resolution 6)**
5. To re-appoint Messrs Foo Kon Tan LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

### 6. RENEWAL OF SHARE ISSUE MANDATE

"That pursuant to Section 161 of the Companies Act, Chapter 50 and subject to Rule 806 of the Rules of Catalist 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 ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options or convertible securities (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) options, 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;

# NOTICE OF ANNUAL GENERAL MEETING

- (b) issue shares in pursuance of any Instruments made or granted by the Directors or conversion of securities while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:
- (i) the aggregate number of Shares and convertible securities/Instruments to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 100% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);
  - (ii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution, after adjusting for:
    - (1) new Shares arising from the conversion or exercise of convertible securities;
    - (2) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and
    - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
  - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
  - (iv) such authority shall, unless revoked or varied by the Company at a general meeting, 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; and
- (c) the Directors be and are hereby authorised to do any and all acts which they deem necessary and expedient in connection with paragraphs (a) and (b) above." **(Resolution 8)**
- [See Explanatory Note 3]*

# NOTICE OF ANNUAL GENERAL MEETING

## ANY OTHER BUSINESS

7. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Pan Mi Keay  
Company Secretary  
12 April 2019

## Explanatory Notes:-

1. Mr Yap Boh Pin, upon re-election as Director of the Company, remains as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and he will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist of the SGX-ST.

Detailed information of Mr Yap Boh Pin can be found under the "Board of Directors" and "Disclosure of information on seeking re-election pursuant to Rule 720(5) of the Catalist Rules" sections in the Company's Annual Report 2018.

2. Mr Lim Siau Hing @ Lim Kim Hoe (Executive Director and Executive Chairman) is the father of Mr Lim Vhe Kai (Executive Director and Chief Executive Officer).

Mr Koh Boon Huat, upon re-election as Director of the Company, remain as the Chairman of Remuneration Committee and a member of the Audit Committee and Nominating Committee and he will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist of the SGX-ST.

Detailed information of Mr Lim Siau Hing @ Lim Kim Hoe and Mr Lim Vhe Kai as well as Mr Koh Boon Huat can be found under the "Board of Directors" and "Disclosure of information on seeking re-election pursuant to Rule 720(5) of the Catalist Rules" sections in the Company's Annual Report 2018.

3. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company from the date of this meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in the general meeting, whichever is the earlier, to allot and issue shares and/or convertible securities in the Company at any time. The number of shares and/or convertible securities that the Directors may allot and issue under this resolution would not exceed 100% of the issued share capital (excluding treasury shares and subsidiary holdings), of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, at the time the resolution is passed.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:–

- (1) (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- (b) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- (2) A proxy need not be a member of the Company.
- (3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.
- (4) The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.
- (5) A Depositor shall not be regarded as a member entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting.

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*This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange").*

*The Company's Sponsor has not independently verified the contents of this notice. This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.*

*The contact person for the Sponsor is Ms. Alicia Sun (Telephone: 65-6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (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 or service providers), 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 or service providers) 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.

## PROXY FORM

### KTMG LIMITED

(Incorporated in the Republic of Singapore)  
(Registration No. 197401961C)

#### IMPORTANT

1. For investors who have used their CPF monies ("CPF Investors") and/or their SRS monies ("SRS Investors") to buy the Company's shares, this Annual Report 2018 is sent to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors and SRS Investors may attend and cast their votes at the AGM in person. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees (as the case may be) to appoint the Chairman of the AGM to act as their proxy, in which case, the respective CPF Investors and/or SRS Investors shall be precluded from attending the AGM.

#### Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

I/We \_\_\_\_\_ (Name) NRIC/Passport No. \_\_\_\_\_ of \_\_\_\_\_ (Address)

being a member/members of KTMG LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy (%)

as my proxy/our proxies, to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Vibrant Theatre, 51 Cuppage Road, #03-03, Singapore 229469 on Monday, 29 April 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my proxy/our proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" at the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Auditors' Report thereon.		
2.	To re-elect Mr Yap Boh Pin, a Director retiring pursuant to Regulation 95 of the Company's Constitution.		
3.	To re-elect Mr Lim Siau Hing @ Lim Kim Hoe, a Director retiring pursuant to Regulation 96 of the Company's Constitution.		
4.	To re-elect Mr Lim Vhe Kai, a Director retiring pursuant to Regulation 96 of the Company's Constitution.		
5.	To re-elect Mr Koh Boon Huat, a Director retiring pursuant to Regulation 96 of the Company's Constitution.		
6.	To approve the Directors' fees of S\$57,600 for the financial year ended 31 December 2018. (31 December 2017: S\$43,200)		
7.	To re-appoint Foo Kon Tan LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Total number of Shares in	Number of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) or, Common Seal  
of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**



**Affix  
Postage  
Stamp  
Here**

**KTMG LIMITED**

Company's Share Registrar  
Tricor Barbinder Share Registration Services  
80 Robinson Road  
#11-02  
Singapore 068898

*Fold along this line*

**Notes:**

- 1 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 (Cap 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- 2 (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.  
(b) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.
- 3 The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than forty-eight (48) hours before the time set for the Annual General Meeting.
- 4 Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 5 The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

*Fold along this line*

- 6 The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
- 7 A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
- 8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
- 9 A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time set for the Annual General Meeting.
- 10 An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

**BOARD OF DIRECTORS**

**Mr Lim Siau Hing (appointed on 18 February 2019)**

*Executive Chairman*

**Mr Lim Vhe Kai (appointed on 18 February 2019)**

*Executive Director and Chief Executive Officer*

**Mr Goh Yeow Tin**

*Non-Executive and Lead Independent Director*

**Mr Yap Boh Pin**

*Non-Executive and Independent Director*

**Mr Koh Boon Huat (appointed on 18 February 2019)**

*Non-Executive and Independent Director*

**AUDIT COMMITTEE**

Mr Yap Boh Pin (Chairman)

Mr Goh Yeow Tin

Mr Koh Boon Huat

**INDEPENDENT AUDITOR**

Foo Kon Tan LLP

Chartered Accountants

24 Raffles Place #07-03

Clifford Centre

Singapore 048621

Partner-in-charge: Kong Chih Hsiang Raymond

(Since FY 31 December 2018)

**REMUNERATION COMMITTEE**

Mr Koh Boon Huat (Chairman)

Mr Goh Yeow Tin

Mr Yap Boh Pin

**PRINCIPAL BANKERS**

United Overseas Bank Limited

Oversea-Chinese Banking Corporation Limited

**NOMINATING COMMITTEE**

Mr Goh Yeow Tin (Chairman)

Mr Yap Boh Pin

Mr Koh Boon Huat

**REGISTERED OFFICE**

KTMG LIMITED (FORMERLY KNOWN AS

“LERENO BIO-CHEM LTD.”)

(Registration No. 197401961C)

80 Robinson Road

#02-00

Singapore 068898

Tel: 6266 8015

**COMPANY SECRETARIES**

Ms Pan Mi Keay

Mr Lee Wei Hsiung

**SHARE & WARRANT REGISTRAR AND**

**SHARE TRANSFER OFFICE**

Tricor Barbinder Share Registration Services

80 Robinson Road #11-02

Singapore 068898

**SPONSOR**

SAC Capital Private Limited

1 Robinson Road

#21-00

AIA Tower

Singapore 048542

