

A Frontier of **POSSIBILITIES**



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This annual report has been reviewed by the Company's Sponsor, SAC Capital Private Limited ("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 including the correctness of any of the figures used, statements or opinions made.

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

The details of the contact person for the Sponsor are:

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Tel : 6532 3829

Corporate PROFILE



Incorporated in Singapore in 1995 and listed on the Catalist Board (formerly "Sesdaq") of the Singapore Exchange since 1998, KLW Holdings Limited is an investment holding company with businesses ranging from door manufacturing and distribution in Europe, Asia, Middle East and the US, to property investments and developments in the Asia-Pacific region and beyond.

Over the years, the KLW Group has built a name in the manufacturing and distribution of high-quality engineered doors. With manufacturing bases in Malaysia and China, it has been supplying high value and quality door sets to well-known quality home improvement and DIY chain-stores and distributors throughout Europe, Asia, Middle East and the US. The third manufacturing facility in Vietnam is currently under construction. Upon completion, it will form an important part of the Group's overall manufacturing capacity and capability, offering both geographical diversity in our manufacturing bases and potential savings on our production costs.

Since 2014, the KLW Group has diversified into property investments and developments with a portfolio of 2 properties in Melbourne, Australia. The Group's focus in the near term will be to complete the on hand property development project, Lincoln Square South in Melbourne, and review its business engagement strategies in this sector.

Chairman's STATEMENT



Dear Shareholders,

On behalf of the Board, I would like to present our Annual Report for the full year period from 1 April 2014 to 31 March 2015 (FY2014/2015).

I am pleased to introduce myself to you as the new Non-Executive Chairman of the KLW Group and I look forward to sharing my experience and knowledge with the team and to take the Group to the next level of growth.

Over the years, KLW Holdings has built a solid business in the manufacturing and distribution of high-quality engineered doors, through our strong expertise and dedication. Our doors can be found in residential and commercial projects in Europe, Asia, Middle East and the US. We currently have two manufacturing bases in Malaysia and China. A third production facility is under construction in Vietnam and is about 85% completed. Once completed, this facility will form an important part of the Group's overall manufacturing capacity and capability, offering both geographical diversity in our manufacturing bases and potential savings on our production costs.

New Frontier in Property

KLW has in January 2015, obtained a mandate from shareholders to diversify into investment and property related businesses. While maintaining our traditional stronghold in door manufacturing, we aim to build a strong and stable portfolio of high quality, premium properties that provide both steady income and capital appreciation potential.

In September 2014, we made our first entry into this business with the acquisition of 301 Flinders Lane in the bustling city of Melbourne, Australia for A\$23.6 million (approximately S\$27.6 million). This seven-storey prime freehold property within the Melbourne Central Business District area is currently fully leased to Victoria University, a leading Australian college. This investment, with Victoria University as the master tenant, provides immediate cash flow and returns for the Group as a mid-term investment while having the potential opportunity for future redevelopment, given its prime location between Flinders Street and popular retail strip Flinders Lane.

The Economist Intelligent Unit (EIU) ranked Melbourne as the world's most liveable city in August 2014¹. Indeed, Melbourne, being a vibrant city, with quality infrastructure and the fastest growing population in Australia, has been attracting an influx of offshore property investments and we are confident that our investment will deliver good returns.

To capitalise on its locational attraction, we made another acquisition in March 2015, of a freestanding five-storey commercial building located at 23-31 Lincoln Square South in Melbourne, for A\$12.52 million (approximately S\$13.3 million). It has an excellent location, flanked by two famous Australian Universities, Melbourne University and RMIT, and is only 500m from the Central Business District. Since it is in a mixed use zone, planning is underway to redevelop this property into residential apartments.

In view of the announcement made by the Group on 27 May 2015, this business segment's expansion will be put on hold until the special review by the independent auditor PricewaterhouseCoopers LLP is completed. We take this as an opportunity to improve our Group's internal control processes and corporate governance disclosures, which will be in the best interests of all our stakeholders.

In Appreciation

The Group's recent acquisitions are an indication of the strides we are taking in these new directions. I would like to take this opportunity to thank my fellow Board members, the management and staff for their hard work in the past year. I also want to thank our customers and business partners for your invaluable support. Lastly, I wish to thank you, our shareholders, for your continued belief in KLW Holdings.

Yours sincerely,

Pengiran Muda Abdul Qawi

Non-executive Chairman

8 July 2015

¹ Melbourne again tops Economist's world most liveable cities index
<http://www.theguardian.com/world/2014/aug/19/melbourne-again-tops-economists-world-most-liveable-cities-index>

Managing Director's STATEMENT



Dear Shareholders,

First, I am pleased to have Prince Abdul Qawi ("Prince Qawi") of Brunei join us as the Non-Executive Chairman of the Group on 30 September 2014. Prince Qawi is no stranger to K LW Holdings as he has been a major shareholder of the Group since 9 June 2014. His appointment to the Board gives the Group a competitive edge as he brings with him a wealth of experience and a wide global network of contacts that will open doors to various frontiers of possibilities for us.

This has been a year of new endeavours and challenges for the Group. We have grown the scale of our core business of door manufacturing by increasing our production capacity. We have also made inroads into the property investment and development business as a move to embrace new opportunities and diversify our business portfolio.

In door manufacturing, market demand from our main export market, the United Kingdom ("UK"), sustained its growth on the back of UK's vibrant property market in the past few years. This has contributed positively to the Group's export sales in FY2014/2015 and we were also able to deliver on the higher export sales through increasing the scale of our production, especially in our China production facilities. We have four fully operational production facilities across Malaysia and China. In time to come, our Vietnam production facility, which is 85% complete, will become our third production base and offer greater geographical diversity to our production capabilities.

Meanwhile in Singapore, we continued to enjoy strong demand for our doors from the private residential market and we managed to secure new contracts to supply and install doors to private residential developments. In addition, we earned our first commercial project in Singapore for the supply and installation of doors to the China Cultural Centre.

Strategies for FY2015/2016

As our core export market in the UK and our projects in Singapore continue to provide us with the bulk of our business, we continue to set our sights further to look out for new businesses in other markets. On the other side of the coin, we are boosting our production capabilities to be able to take on larger projects and more orders while improving our economies of scale so as to improve our profit margins.

On our property business, while we do not have new acquisition targets in the immediate front, we will focus our resources on developing the Lincoln Square South residential project in Melbourne which we have acquired. In relation to the terms sheets we entered into for property projects in Bali, Indonesia and Zhangye Gangsu, China, we have appointed auditors from PriceWaterhouse Coopers to review these transactions as well as our financial control system in general, with an aim to improve our overall system and accountability.

In Appreciation

In conclusion, I would like to express my deepest appreciation to each and everyone of you for helping K LW Holdings reach its current strong market position. To our management and staff, thank you for the hardwork and perseverance. To our customers, suppliers and business partners, thank you for the trust and support. To our Board of Directors, thank you for your contribution to the Group. Finally to our shareholders, thank you for your support and I look forward to entering this new era for K LW Holdings together with you.

Yours sincerely,

Lee Boon Teck
Managing Director
8 July 2015

Operational and Financial REVIEW

OPERATIONAL REVIEW

The Group's performance was largely boosted by continued strength in export sales of our doors. Market demand from the United Kingdom ("UK"), our main export market, sustained its growth as the property market in the UK remained strong over the last few years.

Currently, the Group has two factories in Malaysia that produce for export to the UK and Singapore's private residential projects while our two China factories produce mainly for export to the UK. Our third production base in Vietnam is 85% completed and will offer geographical diversity to our production capabilities and also help us mitigate any rise in production costs in Malaysia and China.

In Singapore, demand for our doors from the private residential market remained strong. During the year, we secured new contracts for the supply and installation of doors for four private residential developments. These included a \$2.6 million contract with Parc Centros, a \$4.6 million contract with D' Nest, a \$2.8 million contract with FLO Residence and a \$3.0 million contract with J Gateway, with delivery expected within the next two years. We also secured our first commercial project in Singapore, being the supply and installation of doors to the China Cultural Centre, valued at \$0.2 million.

On our new venture into the property business, 301 Flinders Lane in Melbourne Australia, is leased to Victoria University until 2020 and 23-31 Lincoln Square South also in Melbourne Australia, is currently in the development planning stage.

FINANCIAL REVIEW

Income Statement Review

Revenue for the Group increased by approximately 6.7% to S\$41.3 million for FY2014/2015 from S\$38.7 million for the 15 months period ended 31 March 2014 ("FP2013/2014"). The Company changed its financial year end from 31 December to 31 March.

The door business being the core business of the Group, continued to be the major contributor to the total Group revenue, achieving an approximately 10.2% increase in revenue to S\$39.0 million for FY2014/2015 from S\$35.4 million in FP2013/2014. The increase was mainly due to a rise in export sales supported by the factories in Malaysia and China. The property leasing business registered a 33.3% decrease in revenue to S\$2.2 million for FY2014/2015 as compared to S\$3.3 million last FP. This was because all tenancy agreements had ended in December 2014 for the sale and lease back property at 19 Senoko Loop, Singapore 758169. The property is currently undergoing reinstatement for return to landlord Mapletree Logistics in July this year.

Gross profit for the Group increased by approximately 24.5% to S\$11.7 million for FY2014/2015 as compared to last FP of S\$9.4 million, mainly due to the increase in revenue and economies of scale achieved for the Group's two China factories and an increase in production at our Malaysian factories. Gross profit margin improved to 28.3% for FY2014/2015 as compared to 24.4% for FP2013/2014, mainly due to the decrease in production costs as a result of economies of scales achieved.

Other income for the Group decreased by approximately 6.1% to S\$1.0 million for FY2014/2015 as compared to FP2013/2014 because during FP2013/2014, other income comprised a reversal of overprovision for quit rent for a Malaysia subsidiary, while in FY2014/2015, there was no such item.

Administrative expenses increased by approximately 15.1% to S\$9.2 million from S\$8.0 million in FP2013/2014 whereas finance costs increased by approximately 12.5% to S\$0.9 million for FY2014/2015 as compared to FP2013/2014 of S\$0.8 million. Administrative expenses increased mainly due to the staff-related expenses, professional fees and unrealised exchange

losses while the increase in finance costs was mainly due to loans secured for the Flinders Lane property in Melbourne and a leasehold industrial terrace unit in Singapore. Tax expenses for the Group also increased by approximately 50.0% to S\$0.3 million from FP2013/2014 of S\$0.2 million, mainly due to provision of tax payable for the Group's Malaysia subsidiary.

Further to the Company's announcement made on 27 May 2015 and 26 June 2015, respectively in relation to the three term sheets entered into by the Group for several property projects, the management had further recovered S\$0.2 million for the Bali Term Sheet and has made a provision for the outstanding commitment fees of S\$7.2 million in the audited financial statements. The special review into the financial affairs of the Company and some of its key subsidiaries is currently ongoing.

As a result of the S\$7.2 million provision, the Group registered a net loss for FY2014/2015 of approximately S\$6.3 million, compared to a net profit of S\$0.2 million in FP2013/2014.

Loss per share stood at S\$0.133 cents for FY2014/2015.

Balance Sheet Review

The Group's non-current assets increased by approximately 345.5% to S\$49.0 million as at 31 March 2015 from S\$11.0 million as at 31 March 2014, mainly due to the purchase of properties and new investment for the Group's door production facility in Vietnam.

The increase in current assets of approximately 125.5% to \$59.3 million as at 31 March 2015 from S\$26.3 million as at 31 March 2014 was mainly due to the increase in cash and bank balances from the proceeds of corporate exercises during year 2014. The Group completed a Placement and Rights Issue of shares in June and July 2014 respectively, which raised a total of approximately \$58.8m before expenses. The increase in current assets was also driven by an increase in other receivables which mainly comprised commitment fees paid for potential developmental projects in China and Bali under the three terms sheets as mentioned above. The other receivables balance in relation to the commitment fees amounted to S\$9.0 million. Out of the S\$16.2 million of commitment fees paid, S\$9.0 million had been recovered after 31 March 2015, while the Group had made provision for the outstanding S\$7.2 million which is unrecovered as at annual report date.

Total assets of the Group stood at approximately S\$108.3 million as at 31 March 2015 from S\$37.4 million as at 31 March 2014, an increase of approximately 189.6%.

The Group's non-current liabilities increased by approximately 260.0% to \$25.2 million as at 31 March 2015 from S\$7.0 million as at 31 March 2014, mainly due to property financing for 301 Flinders Lane in Australia, Melbourne and 39 Kaki Bukit Industrial Terrace in Singapore.

The increase of approximately 13.3% in current liabilities to S\$6.8 million as at 31 March 2015 from S\$6.0 million as at 31 March 2014 was mainly due to the provision of the income tax payable for the Group's Malaysia subsidiary as well as the short term borrowing portion from the property loan as mentioned above.

Total liabilities of the Group stood at S\$32.0 million as at 31 March 2015, an increase from S\$13.0 million as at 31 March 2014, an increase of approximately 146.2%.

Total equity for the Group increased approximately 212.7% to S\$76.3 million as at 31 March 2015 from S\$24.4 million as at 31 March 2014, mainly due to the increase in the share capital of the Group from the completed Placement and Rights Issue exercise in the year 2014.

Net asset value for the Group was S\$1.42 cents as at 31 March 2015. The Group reported positive working capital of S\$ 52.6 million.

KLW Group Structure



¹ Incorporated on 25 September 2014

² Incorporated on 3 February 2015

³ Incorporated on 5 March 2015

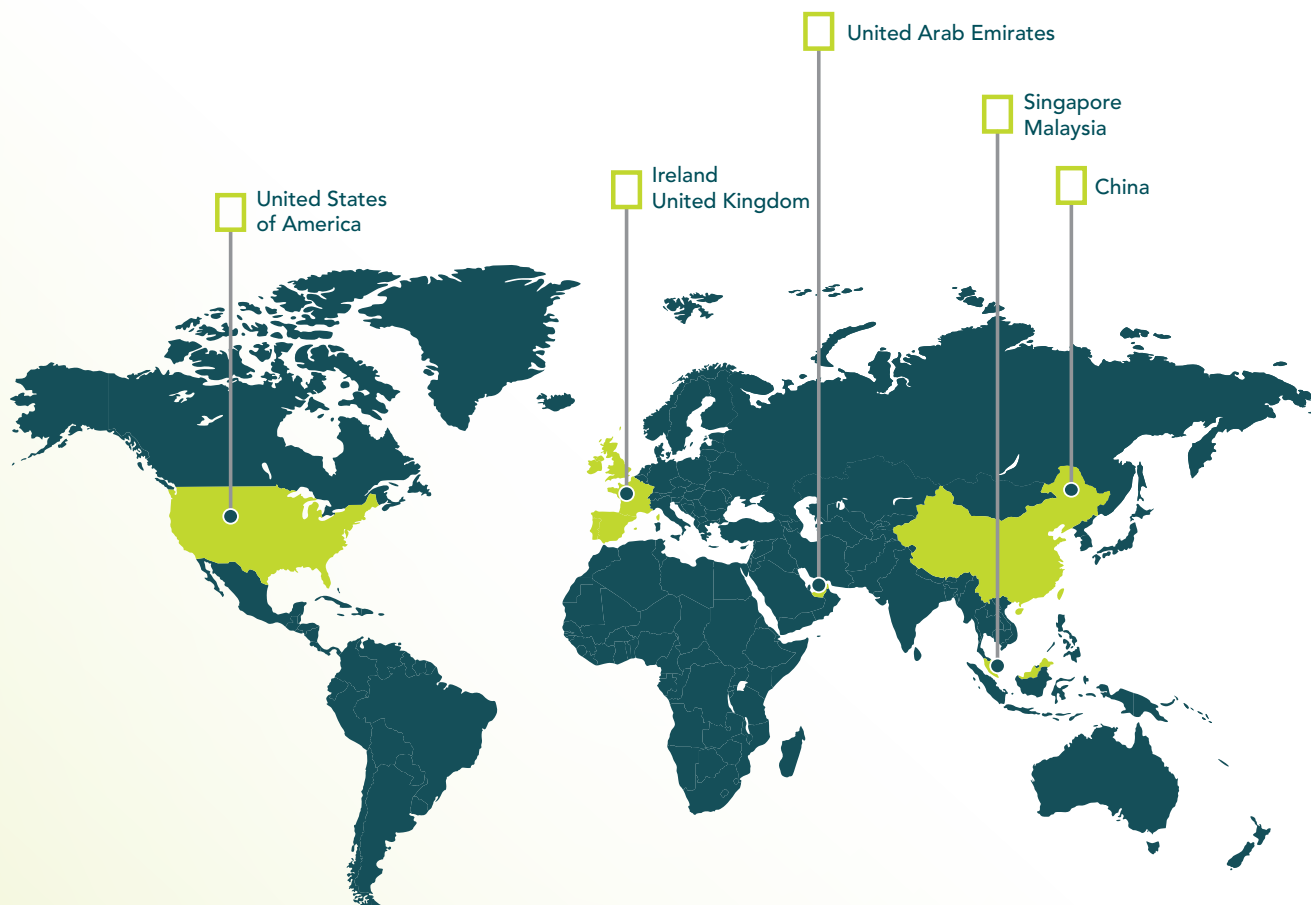
Our BUSINESSES

DOOR MANUFACTURING

KLW Holdings has established itself as a high quality engineered door manufacturer in the region. Our products have earned a mark of distinction and quality which are internationally recognised for their premium quality. We have also earned the Forest Stewardship Council (FSC) Chain of Custody Certification for our products, a mark of sustainability in our production and a requirement for home improvement and DIY chain stores in Europe.

OUR MARKETS

Over the years, we have built a strong track record for the business and grown our market share. We currently supply a wide range of doors to well-known quality home improvement and DIY chain-stores and distributors throughout Europe, Asia, Middle East and the US.



Within Singapore, our doors are used in several quality residential developments such as One Canberra EC, Hilsta, Waterbay EC, Topiary EC, Parc Centros, D'nest, China Cultural Centre, FLO Residence and J Gateway.

OUR BUSINESSES



OUR OPERATIONS

Our door-related manufacturing and installation activities are carried out across Singapore, Malaysia and China, with over 700 employees in total. Our Singapore operation is solely focused on project management of the supply and installation of doors.

Malaysia

PLO 34, Kawasan Perindustrian Simpang Renggam,
86200 Simpang Renggam, Johor
Malaysia

PLO 32, Kawasan Perindustrian Simpang Renggam,
86200 Simpang Renggam, Johor
Malaysia

China

广东省东莞市洪梅镇洪厚路尧均段

Yao Jun, Hong Hou Road, Hongmei Town, Dongguan
City, Guangdong China
Post code: 523160

广东省东莞市洪梅镇梅沙村雄东工业区

Mei Sha, Xiong Dong Industrial Area, Hongmei Town,
Dongguan City, Guangdong China
Post code: 523160

Singapore

KLW Joinery Pte Ltd
39 Kaki Bukit Terrace
Singapore 416119

A LEADER IN SUSTAINABILITY

We aim to achieve sustainability in our business operations as environmental protection is a growing concern in our industry of door manufacturing. More of our consumers, especially those in our key markets like Europe, are demanding doors that come from companies with certified environmentally-sustainable operations.

We are taking steps to restructure our business and readjust our operations in order to raise our standards in sustainable practices as a business and to become a more environmentally-conscious organisation in all aspects of our operations.

OUR CERTIFICATIONS

KLW Wood Products (M) Sdn Bhd (KLWM)

- ISO 14001:2004
- ISO 9001:2008
- Chain-of-Custody

Dongguan Lebox Doors Co., Ltd.

- ISO 14001:2004
- ISO 9001:2008
- Chain-of-Custody

KLW Joinery Pte Ltd

- Singapore Green Label

ISO 14001:2004

This standard provides organisations with a framework for an effective environmental management system that aims to achieve environmental protection.

The Forest Stewardship Council (FSC) Chain of Custody Certification

This certification assures our customers that our wood come from forests that are managed to meet the social, economic and ecological needs of present and future generations, tracking the flow of certified wood throughout the supply chain. All exports to home improvement and DIY chain stores in Europe require this certification.

Singapore Green Label

KLW Joinery Pte Ltd was awarded the Singapore Green Label award for using renewable and sustainable materials for its products available for sale in the Singapore market.

Our BUSINESSES

PROPERTY BUSINESS

While maintaining our stronghold in the door business, KLW Holdings began its foray in the real estate business in 2014, focusing on the investment and development of properties. With this, we aim to diversify its business and capture new opportunities available.

The Group's initial projects include a seven-storey freehold property in Melbourne, Australia, leased to Victoria University and a five-storey freehold office building in a mixed use zone also in Melbourne's Lincoln Square South.

We will be focusing our resources on developing the Lincoln Square South project and do not have new acquisition targets on the immediate front.



VICTORIA UNIVERSITY

301 Flinders Lane, Melbourne, Australia

- Situated in the Central Business District (CBD) of Melbourne, the property runs between Flinders Street and popular retail strip Flinders Lane and is a stone throw's away from Collins Street financial district.
- Located in the cultural heart of Melbourne's CBD, it is in the vicinity of local landmarks like the iconic Flinders Street Station and Federation Square.
- 100% leased to a blue chip tenant, Victoria University, one of Australia's leading universities.
- Expected average rental yield of 5% per annum throughout the lease.
- Potential for development into high density residential, commercial, retail and/or hotel uses.
- While holding great potential for capital appreciation, the property provides immediate cash flow and returns from rent collections.

| | |
|-------------------|---------------------|
| Date Acquired | November 2014 |
| Property Type | University |
| Storey | 7 |
| Ownership Status | Freehold |
| Zoning | Capital City Zone 1 |
| Land Area | 895 sqm |
| Building Area | 3,745 sqm |
| Purchase Price | A\$23.6 million |
| Lease | Victoria University |
| Lease Expiry Date | 30 October 2020 |

OUR BUSINESSES



LINCOLN SQUARE CARLTON

23-31 Lincoln Square South, Carlton,
Melbourne, Australia

- The property, an office building, is situated on the southern side of Lincoln Square on the city fringe, less than 500 metres away from the Melbourne CBD.
- With three street frontages enabling ample natural light, the property offers stunning views of Lincoln Square Gardens and the CBD.
- Located in the heart of the education precinct, it is flanked by two famous Australian universities, RMIT and Melbourne University.
- Major attractions within its immediate precinct include the Carlton Gardens, Royal Exhibition Buildings, Melbourne Museum, Melbourne University, Melbourne Central and The Royal Melbourne Hospital.
- The property has a range of potential development options including refurbishing the building and leasing out with an expected 5% rental yield, multi-level residential apartments, student accommodation and a boutique hotel.

| | |
|------------------|-------------------|
| Date Acquired | March 2015 |
| Property Type | Office Building |
| Storey | 5 |
| Ownership Status | Freehold |
| Zoning | Mixed Use Zoning* |
| Land Area | 906 sqm |
| Building Area | 3,745 sqm |
| Purchase Price | A\$12.52 million |

* subject to potential re-zoning under Planning Amendment C196 for inclusion within a Capital City Zone.

Board of DIRECTORS



Pengiran Muda Abdul Qawi

Non-executive Chairman

Pengiran Muda Abdul Qawi joined the Board of KLW Holdings Limited on 30 September 2014 as Non-Executive Chairman. Prince Abdul Qawi is also the Chairman of The Brunei Hotel, National Insurance Bhd, QOS Sdn Bhd, Everon Sdn Bhd and Supremo Management Services Sdn Bhd in Brunei. His past experience includes Deputy and Executive Chairman of QAF Brunei, a member of Baiduri Group and a Director of Baiduri Bank from 2000-2010. He was on the ASEAN Business Advisory Council from 2002 to 2012.

Prince Abdul Qawi has been an active member of the INSEAD East Asia Business Council since 2005, the Confederation of Asia-Pacific Chambers of Commerce and Industry since 2004 and a Patron for the Young Entrepreneurs Association Brunei since 2010.

Lee Boon Teck

Managing Director



Mr Lee Boon Teck was one of the founders of KLW Singapore in 1989. He was appointed as Director and Managing Director on 15 June 1995 and 1 April 2012 respectively. He was trained in Building Engineering and has more than 20 years of experience and valuable expertise in the door manufacturing business. He led the Company's listing under KLW Holdings Limited on September 1998 and is currently involved in the management of the Group's operations.



Ho Pong Chong

Lead Independent Director

Mr Ho Pong Chong was appointed as an Independent Director on 15 July 2002 and was last re-elected on 25 April 2013. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He is currently Managing Director of Well Global Investments (Singapore) Pte Ltd and sits on the Board of Directors of several private companies in Singapore and China.

Mr Ho was appointed as Lead Independent Director from 31 March 2010.

Teo Hin Guan

Independent Director



Mr Teo Hin Guan was appointed as an Independent Director on 31 March 2004 and was last re-elected on 26 April 2012. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Currently a Director of Ge-Shen Corp. Bhd., a public listed entity in Malaysia, Mr Teo has more than 30 years of experience in the banking industry.



Low Hai Lee

Independent Director

Mr Low Hai Lee was appointed as an Independent Director on 16 August 2007 and was re-elected on 24 July 2014. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Prior to coming on board, he had spent some 20 years in the banking industry, holding senior banking positions in the area of corporate finance and capital markets. He now provides corporate and financial advisory consultancy work for corporations in the region.

Key MANAGEMENT

FINANCIAL MANAGEMENT



Gaw Kuan Ching, Jaslin

*KLW Holdings Limited
Group Financial Controller*

Ms Jaslin Gaw is responsible for the Group's investments, financial, compliance and risk management. She has more than 10 years of accounting, corporate finance and internal control experience with a degree in Accounting and Business from the Staffordshire University in UK. Prior to her appointment as the Group Financial Controller, she was the Finance Manager for the Group since 2007.

Ngo Yu Peng, Felicia

*KLW Holdings Limited
Group Finance & HR Manager*

Ms Felicia Ngo joined KLW Holdings Limited in 2003. She is in charge of the Group's financial reporting and human resources. Prior to joining the Group, she was with Deloitte & Touche LLP as an Accounts Officer. She is accredited with Association of Chartered Certified Accountants (ACCA) since 2003 and is also a member of Institute of Singapore Chartered Accountants (ISCA) since 2010.



Goh Eng Kiat

*KLW Resources Sdn Bhd
Head of Finance*

Mr Goh Eng Kiat joined the Group's Malaysia operations in 2005. He is currently in charge of the financial management and reporting of the Door business in Singapore, Malaysia, China, Hong Kong and Vietnam. Prior to joining the Group, he was an auditor with an Advanced Diploma in Financial Accounting. He has more than 10 years of financial accounting and internal control experience.

Key MANAGEMENT

OPERATIONS MANAGEMENT



Koh Wee Ann, Sam

*Chief Operating Officer
Malaysia, China, Vietnam*

Mr Sam Koh joined the Group in 2006 after graduating from Universiti Putra Malaysia, majoring in Forestry. He started his career with the Group's Malaysia operations for two years and then relocated to China in 2008 to spearhead the Group's entry into China. The Group restructured its door business operations in 2012 with Mr Koh appointed as the Chief Operating Officer in charge of all the production facilities of the Group in Malaysia, China and Vietnam.

Lee Yok Lim, Crystal

*Head of Quality Control & Procurement
Malaysia, China, Vietnam*

Ms Crystal Lee joined the Group in 2006 and started out with the Group's Malaysia operations after graduating from Universiti Putra Malaysia, majoring in Forestry. Due to her outstanding performance, she was seconded to China to set up the Group's production facility in 2008. Her contributions include achieving various prestigious certifications such as the Forestry Stewardship Council (FSC), ISO 9001:2008 and ISO 14001:2004 that allow the China production facility to sell its products to many parts of the world. In 2012, Ms Lee was formally appointed as Head of Quality for the Group's production facilities in Malaysia, China and Vietnam.



Koh Shiau Fang, Fyn

*Head of Human Resource
Malaysia, China, Vietnam*

Ms Fyn Koh joined the Group's Malaysia operations in 2006 after graduating from Universiti Kebangsaan Malaysia, majoring in Business administration. She was among a pioneer batch of key management staff seconded to China in 2008 for the establishment of Group's production facility. In 2012, she was formally appointed as the Head of Human Resources, a function seen as key to the growth of the Group's door business.



Lee Wan Cha, Adeline

*KLW Joinery Pte Ltd
General Manager
Singapore*

Ms Adeline Lee joined the Group's marketing division in 2004 and is now responsible for the management of Singapore's project business and the Group's sales & marketing initiatives. Prior to taking over the project business, she was one of the key people responsible for growing the Group's door export business to its current size. Ms Lee holds a degree in Business and Marketing from the University of Portsmouth, UK. Together with her team, she has completed four residential projects with 11 projects secured in the pipeline. The recent projects include China Cultural Centre, FLO Residences and J Gateway.



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Report on Corporate Governance

The Group has adopted substantial practices based on the Code of Corporate Governance 2012 (the "Code") issued in May 2012, which forms part of the continuing obligations of the Listing Manual Section B : Catalyst Rules of the Singapore Exchange Limited Securities Trading ("SGX-ST") where it is applicable and practical to the Group. This Report describes the Company's corporate governance practices and structures that were in place during the financial period from 1 April 2014 to 31 March 2015 ("FY14/15") with reference to the Code.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board's principal roles include ensuring that the business of the Group is effectively managed and properly conducted by executive management, and ensuring proper observance of corporate governance practices.

Apart from its statutory duties and responsibilities, the Board's responsibilities include the following:

- Approving the board policies, strategies and financial objectives of the Company and monitoring the performance of management;
- Approving the Group's major investments and funding decisions; and
- Assuming responsibility for corporate governance.

The Board has established a number of committees to assist in the execution of the Board's responsibilities. These committees include the Nominating Committee (the "NC"), Remuneration Committee (the "RC") and Audit Committee (the "AC"). Each of the committee functions within clearly defined terms of reference. The respective terms of references set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the Code. The terms of references are reviewed on a regular basis to ensure their continued relevance, as are the committee structures and membership.

The Board held meetings on a regular basis to consider and resolve major financial and business matters of the Group. Informal meetings are also held to deliberate on various operational issues when necessary. All Directors discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has adopted a set of guidelines on matters that require its approval. The matters requiring the approval of the Board include the following:

- Corporate Strategies;
- Material investments, acquisitions and divestments of assets; and
- Dividends and other returns to shareholders.

The Group has a new Non-Executive Director Pengiran Muda Abdul Qawi who is also the Chairman of the Board during the financial year. The Company has briefed the new Director on the Group's businesses and corporate structures.

The Board as a whole is updated regularly on key changes on the relevant regulatory requirements through email circulations of new releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors. The Company Secretary and Sponsors also advised the Board accordingly on regulatory matters relating to the Companies Act and the Listing Manual of the SGX-ST, Section B: Rules of Catalyst (the "Catalist Rules") respectively.

Report on Corporate Governance

The Company will identify relevant updates, briefing and training programs for the Directors to attend. During the financial period FY14/15, the Directors attended the following:

| <u>Date</u> | <u>Events</u> |
|-------------------|--|
| 17 September 2014 | Recent Changes to SGX Listing Rules by RHT Academy attended by Directors Mr Ho Pong Chong and Mr Low Hai Lee. |
| 30 January 2015 | Amendments to Companies Act by Intertrust Corporate Services attended by Directors Mr Ho Pong Chong and Mr Teo Hin Guan. |

The attendance of the Directors at meeting of the Board and Committees during the financial year is tabulated below:

Directors' attendance at Board and Committees' meetings for the financial year from 1 April 2014 to 31 March 2015

Board Meeting

| Board Members | No of Meetings Held | No of Meetings Attended |
|-------------------------------------|---------------------|-------------------------|
| Pengiran Muda Abdul Qawi - Chairman | 2 | 2* |
| Lee Boon Teck | 4 | 4 |
| Ho Pong Chong | 4 | 4 |
| Teo Hin Guan | 4 | 3 |
| Low Hai Lee | 4 | 3 |

*Non-executive Director Pengiran Muda Abdul Qawi was only appointed to the Board on 30 September 2014.

Audit Committee Meeting

| Audit Committee Members | No of Meetings Held | No of Meetings Attended |
|--------------------------|---------------------|-------------------------|
| Ho Pong Chong - Chairman | 6 | 6 |
| Teo Hin Guan | 6 | 5 |
| Low Hai Lee | 6 | 5 |

Remuneration Committee Meeting

| Remuneration Committee Members | No of Meetings Held | No of Meetings Attended |
|--------------------------------|---------------------|-------------------------|
| Teo Hin Guan - Chairman | 2 | 2 |
| Ho Pong Chong | 2 | 2 |
| Low Hai Lee | 2 | 2 |

Report on Corporate Governance

Nominating Committee Meeting

| Nominating Committee Members | No of Meetings Held | No of Meetings Attended |
|------------------------------|---------------------|-------------------------|
| Low Hai Lee - Chairman | 1 | 1 |
| Ho Pong Chong | 1 | 1 |
| Teo Hin Guan | 1 | – |

BOARD COMPOSITION AND GUIDANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board comprises five Directors of which three are independent Directors. Non-executive Director Pengiran Muda Abdul Qawi chairs the Board while Executive Director, Mr Lee Boon Teck assumes the role of the Managing Director

The members of the Board are as below:

| | |
|-------------------------------------|-----------------------------|
| Pengiran Muda Abdul Qawi | Non-executive Chairman |
| Mr Lee Boon Teck | Executive Managing Director |
| Mr Ho Pong Chong[^] | Non-executive & Independent |
| Mr Teo Hin Guan | Non-executive & Independent |
| Mr Low Hai Lee | Non-executive & Independent |

[^]Mr Ho Pong Chong is the Lead Independent Director since 31 March 2010.

The Articles of Association of the Company impose a maximum of fifteen Directors to the Board and a minimum of two. The Board and NC is currently reviewing the Board composition, particularly the executive component of the board representation in light of the Group's strategies to diversify and expand beyond its core door making business into real estate business. Thoughts are to introduce added board representation with member(s), also vested with key executive functions, possessing definitive experience in investments and acquisitions; particularly in real estate development and acquisition. The need to look at a Head of Group Operations with perhaps a board representation is also being considered and discussed. The Board and NC believed that with the planned additions to the current Board, comprising persons with the identified attributes, the core competencies of the board will be strengthened to meet the Company's objectives going forward.

The Board and NC determines the independence of Directors based on the criteria of independence defined in the Code. The NC is satisfied and confirms that the Independent Directors, who represent 60% of the Board, comply with the guidelines on independence set out at Guideline 2.3 of the Code.

Each independent Director exercises his own judgement independently and none of the independent Director has any relationship with the company, its subsidiaries, its related corporations, its 10% shareholders or its officers that could interfere, or reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the company. The independent Directors also do not receive any remuneration, significant payments or material services payments from the Company and its subsidiaries apart from Directors' fees which is subject to shareholders approval in annual general meeting. In addition, none of the independent Directors or his immediate family are or were 10% shareholder of the Company as defined in the Code.

The independent Directors provide, amongst other things, strategic guidance to the Group based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on strategies.

Report on Corporate Governance

Two of the three independent Directors (Mr Ho Pong Chong and Mr Teo Hin Guan) have served on the board beyond 9 years. The Board and NC deliberated the matter and conducted a rigorous review of these 2 Directors' contribution to the Board to determine if they have maintained their independence. Criteria such as understanding of the Group's business, challenges, operations, risks and various compliance requirements of the Group including constructive views being provided to assist the executive Director in managing the Group; their qualification and expertise provides an independent check and balances for the management; the independent Directors provide overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interest were all taken into consideration.

The Board and NC are satisfied with both Directors' performance and that they have remained independent in their judgement and have also expressed their views independently at all times. The Board and NC are of the opinion that they will be able to continue to discharge their duties objectively, notwithstanding the length of service for these two independent Directors.

Management provides the Board members with quarterly management accounts to keep them abreast with the Group's business development and performance. The independent Directors, at any time, also have separate and independent access to the executive Director and officers of the Group. This in turn enables them to make enquiries or seek clarifications on the Group's affairs. The independent Directors also meet and communicated without the presence of management when necessary and will feedback to the Chairman after such meeting.

The current board composition provides a diversity of skills, experience and knowledge to the Company. Key information on each Director who have diverse experience such as finance, manufacturing and strategic planning experience is set out on page 10 of the annual report.

CHAIRMAN AND MANAGING DIRECTOR

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Non-executive Director and Chairman Pengiran Muda Abdul Qawi joined the Board during the financial year. He was the past Executive Chairman of QAF Brunei and Director of Baiduri Bank, current Chairman of Brunei Hotel and National Insurance Berhad etc. His wealth of business experience and contacts will add value to our Board by broadening the Group's business networks. Further information of the Chairman can be found on page 10 of the annual report.

Mr Lee Boon Teck is the Managing Director and sole executive Director on the Board. Mr Lee is responsible for the Group's business operations and all executive decision-makings.

In addition, as recommended by the Code at Guideline 3.3, the Company has Mr Ho Pong Chong, who is an Independent Non-Executive Director as our Lead Independent Director since 31 March 2010. Mr Ho together with the rest of the Independent Directors has demonstrated a high degree of commitment in their role as Directors.

The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the Managing Director or Group Financial Controller has failed to resolve or for which such contact is inappropriate. Shareholders can contact Mr Ho through the Company Secretary whose information is being listed on the last page of the annual report. The Independent Directors had also met periodically without the presence of executive director.

Report on Corporate Governance

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.*

The Nominating Committee ("NC") comprises the following members:

| | | |
|-----------|-------------------------|-------------------------------|
| Chairman: | Mr Low Hai Lee | (Non-executive & Independent) |
| Members: | Mr Ho Pong Chong | (Non-executive & Independent) |
| | Mr Teo Hin Guan | (Non-executive & Independent) |

The NC comprises of all non-executive and independent Directors.

The NC pursuant to its written terms of reference shall:-

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- annually review whether or not a Director is independent, in accordance to Guideline 2.3 and 2.4 of the Code of Corporate Governance and other salient factors;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arises;
- review and recommend to the Board for re-election of the Directors due for renewal by rotation in considering their contribution or performance;
- review and decide whether or not a Director is able to and has been adequately carrying out his / her duties as Director of the Company;
- decide how the Board's performance may be evaluated and propose objective performance criteria;
- decide on the performance evaluation process ; and
- assess the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

It shall also make recommendations to the Board:-

- as regards to plans for succession, in particular, of the Chief Executive Officer/Managing Director;
- as regards to the re-appointment of any Director at the conclusion of specified term of office;
- re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's Articles of Association, if necessary; and
- concerning any matters relating to the continuation in office as a Director of any Director at any time.

When sourcing for potential appointees, the NC goes through the process of shortlisting, selection and appointment of all new directors. The sources for new candidates include recommendation, executive search or knowledge of the industry.

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In assessing the suitability of a candidate to be appointed or to be re-elected to the Board, the NC will consider if he is able to make the appropriate contributions to the Board and the Group. The key factors which the NC will take into consideration are:

- qualifications, industry knowledge and functional expertise which are relevant and beneficial to the Group; and
- extensive experience and business contacts in the industry in which the Group operates.

The NC will conduct interview with the candidate to assess other attributes or soft skills of the candidates before a decision is made for recommendation to the Board for final approval and adoption.

Pursuant to the Articles of Association of the Company, one-third of the Directors including the Managing Director, retire from office at each Annual General Meeting (the "AGM"). The Directors submit themselves for re-appointment and re-election at regular intervals of at least once every three years. The Directors who are submitted for re-election are found in the notice of AGM and the proxy form.

Directors' Board Representation

| Name of Director | Listed Company Board Representation other than KLW Holdings Limited |
|--------------------------|---|
| Pengiran Muda Abdul Qawi | Nil |
| Mr Lee Boon Teck | Nil |
| Mr Ho Pong Chong | Nil |
| Mr Teo Hin Guan | 1 |
| Mr Low Hai Lee | Nil |

The NC is of the view that the Directors have discharged their duties effectively based on the number of listed company board representation as shown above. Having a numerical limit on the number of directorships may not be necessary for the Company's present circumstances and hence, the Board has not set a maximum number of listed Board representation which any Director may hold.

BOARD PERFORMANCE

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.*

The NC has established an annual review process to assess the performance and effectiveness of the Board as a whole. Each year, all Directors will complete a Board Assessment Questionnaire to provide their views on the overall effectiveness of the Board. The completed assessment forms were collated and consolidated responses were presented during NC meeting for discussion, determining areas for improvement and enhancement of Board effectiveness.

The performance criteria for board assessment are in respect of board size, board independence, board processes, board's key responsibilities and accountability, board's performance in relation to discharging their responsibilities as set out in their terms of reference.

In assessing overall Directors' contribution and performance of the Board, the NC also takes into consideration the Directors' attendance, preparedness, participation and candour of the meetings. Board Committees assessment are incorporated into Board assessment as a whole. The NC is reviewing the current assessment process to take into consideration recommendation by the Code i.e. separate Board committees' assessment, assessment of the contribution of the Chairman to the Board effectiveness and individual Director's assessment.

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

Report on Corporate Governance

ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Directors have unrestricted access to the Group's records and information, all Board and Board's Committees' minutes. Quarterly management accounts are tabled at each Board and AC meetings so as to enable the Board to carry out their duties. Directors may also liaise with senior executives and other employees to seek additional information if required. The Managing Director will highlight the business conditions and outlook of the Group when the Board meets.

Should any of the Directors, whether as a group or individually, require professional advice, the Board will appoint a professional advisor selected by the Company or the individual to render the advice. The cost of such service will be borne by the Group.

The Company Secretary attends all Board and Board Committee meetings. She prepares the agenda and also writes up the minutes of the Board and Board Committee meetings. She assists the Chairman in ensuring that the Board and Board Committee's procedures are followed. All Directors have separate and independent access to advice and services of the Company Secretary. The appointment and removal of the Company Secretary is subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.*

The Remuneration Committee ("RC") comprises the following members:

| | | |
|-----------|-------------------------|-------------------------------|
| Chairman: | Mr Teo Hin Guan | (Non-executive & Independent) |
| Members: | Mr Ho Pong Chong | (Non-executive & Independent) |
| | Mr Low Hai Lee | (Non-executive & Independent) |

The RC comprises entirely of non-executive and independent Directors. The objective of the RC is to facilitate appropriateness, transparency and accountability to shareholders on issues relating to remuneration of the executive Director, the Managing Director and key management of the Company. Non-executive and Independent Directors are paid yearly Directors' fees of an agreed fixed amount and these fees are subject to shareholders' approval at the AGM. No Director is involved in deciding his own remuneration.

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The RC shall:-

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Board and to determine specific remuneration packages for the executive Director and the key management executives;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the Group provides the appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- determine targets for any performance related pay schemes operated by the Group, taking into account pay and employment conditions within the industry and in comparable companies;
- within the terms of the agreed policy, determine the total individual remuneration package of each executive Director including, where appropriate, allowances, bonuses, benefits in kind, incentive payments and share options;
- determine the policy for and scope of service agreements for the executive Directors in the event of early termination including compensation commitments and fixing appointment period for the Directors; and
- determine whether Directors and key management should be eligible for benefits under the long-term incentive schemes.

The Group's policy is to set a level of remuneration that is appropriate to attract, retain and motivate employees. In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Group.

Details of the Directors and key management executives' remuneration are set out below. Disclosure of the Directors' remuneration and key management executives' remuneration is also set out in Note 25 of the Financial Statements.

Remuneration disclosure for the financial year from 1 April 2014 to 31 March 2015

Remuneration of Directors for the financial period under review

| Remuneration band and name of Directors | Fixed Salary (\$) | Allowance (\$) | Commission / Incentives (\$) | Bonus (\$) | Directors' fee (\$) |
|---|-------------------|----------------|------------------------------|------------|---------------------|
| Executive Director | | | | | |
| Lee Boon Teck* | 600,000 | – | – | – | – |
| Non-executive Directors | | | | | |
| Pengiran Muda Abdul Qawi | – | – | – | – | 60,000 |
| Ho Pong Chong | – | – | – | – | 45,000 |
| Teo Hin Guan | – | – | – | – | 45,000 |
| Low Hai Lee | – | – | – | – | 45,000 |

* Executive director Mr Lee Boon Teck has profit sharing scheme under his remuneration package. He is entitled to a share of distributable profits upon meeting certain profits criteria. In FY2014/2015, no such payments was made as the criteria was not met.

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Remuneration of Key Executives who are not Directors for the financial period under review

| Remuneration band and name of key executives | Fixed Salary (%) | Allowance (%) | Commission / Incentives (%) | Bonus (%) | Benefit in kind (%) |
|--|------------------|---------------|-----------------------------|-----------|---------------------|
| Below \$250,000 | | | | | |
| Gaw Kuan Ching, Jaslin | 74 | 1 | – | 25 | – |
| Koh Wee Ann, Sam | 52 | 30 | – | 18 | – |
| Ngo Yu Peng, Felicia | 74 | 1 | – | 25 | – |
| Goh Eng Kiat | 53 | 34 | – | 13 | – |
| Lee Yok Lim, Crystal | 53 | 34 | – | 13 | – |
| Koh Shiau Fang, Fyn | 53 | 34 | – | 13 | – |
| Lee Wan Cha, Adeline | 68 | 1 | 30 | 1 | – |

The total remuneration paid to the top 5 key management personnel (who are not directors or the CEO) was \$624,755 during FY2014/2015.

Remuneration of employees who are immediate family members of a Director

Mr Lee Choon Tai is the father of the Managing Director Mr Lee Boon Teck who held the position of Non-executive director at the following Company's subsidiaries:

- (1) KLW Joinery Pte Ltd;
- (2) Ambertree Pte Ltd;
- (3) KLW Wood Products (M) Sdn Bhd.

His remuneration for the financial year from 1 April 2014 to 31 March 2015 was between S\$50,000 to S\$100,000.

Mdm Lau Poh Hong is the wife of the Managing Director, Mr Lee Boon Teck whose remuneration for the financial year from 1 April 2014 to 31 March 2015 did not exceed S\$50,000. She is in-charge of the marketing for door business and also holds directorship of the following Company's subsidiaries:

- (1) Ambertree Pte Ltd;
- (2) Ambertree Development (Singapore) Pte Ltd;
- (3) Ambertree Vic-Mel (Flinders) Pty Ltd;
- (4) Ambertree Vic Mel (Lincoln) Pty Ltd
- (5) KLW Wood Products (M) Sdn Bhd.

Save as disclosed above, there were no employees who are immediate family members of the Managing Director or a Director whose salary exceeds S\$50,000 in the Group's employment during the financial period under review.

The Company does not have any share or share option schemes in place for employees.

The Group does not have long-term incentive schemes for the Executive Directors and key management. There are no termination, retirement, and post-employment benefits that may be granted to the Directors and key executives.

The Executive Director, Mr Lee Boon Teck is on fixed salary package plus profit sharing scheme. Distributable profits under this scheme will be based on audited accounts approved during annual general meetings. However, no such payment was made during FY2014/2015 as the profit criteria was not met.

The key executives' remuneration package comprises of fixed salary, allowances, commission and bonuses depending on their role and responsibilities in the organization. Yearly bonuses declared was based on financial and operational performance of their respective subsidiaries and individual performances.

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ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and half yearly financial results announcement to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. Significant variances for the comparative period were explained in the review pages of the announcement for Revenue, Income Statement, Balance Sheet and Cash Flow Statement. The Group also provide shareholders with its prospects in the following twelve months period.

The Management provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis in order that it may effectively discharge its duties.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The Company's outsourced internal auditor, Needsbridge Advisory Sdn Bhd ("NBA") had on 28 May 2015 presented to the AC the proposed Risk Management Exercise to be undertaken to update the risk profile of the Group from the existing risk profile. There have been new developments in the Group, including the diversification into property related business that resulted in significant change in the risk profile of the Group that warrant a companywide exercise to identify the new high risk areas that need to be managed. The Management is working with NBA to review and update the risk management framework.

On 27 May 2015, the Company had announced that there are possible lapses or weaknesses in the Company's internal control and corporate governance practice. An independent special review is currently being conducted to review the lapses on the contracting and payment process and recommendation for improvement will be incorporated as part of the Group's risk management framework.

The current Management Risk Committee ("MRC") comprises the following members who are mainly familiar with the Company's door business. In view of the Company's recent venture into the property related business, new members who are experienced in these areas will be identified to be part of the MRC.

| | | |
|-----------|--------------------------|----------------------------------|
| Chairman: | Ms Gaw Kuan Ching Jaslin | (Group Financial Controller) |
| Member: | Ms Ngo Yu Peng Felicia | (Group Finance & HR Manager) |
| Member: | Mr Goh Eng Kiat | (Head of Finance, Door Division) |
| Member: | Mr Koh Wee Ann Sam | (COO, Door Division) |
| Member: | Ms Lee Wan Cha Adeline | (General Manager, Door Division) |

The duties and responsibilities of the MRC are as follows:

- To ensure that the risk management framework is embedded in and functions effectively throughout the Group and is within the parameters established by the AC;
- To ensure that the Key Risk Register and its Risk Heat Map of the Group remains relevant taking into consideration any changes to the business environment that the Group is operating in.

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The risk profile is being monitored by the MRC with yearly review on the relevance of key risks identified. In addition, the MRC submits quarterly report to the AC during quarterly AC meetings to update the AC and Board on the status of the risk profile.

The financial risks management objectives and policies of the Group are set out in Note 27 of the Financial Statements.

With reference to the announcement on 26 June 2015, the Group has appointed PricewaterhouseCoopers LLP ("PWC") to conduct a special review into the financial affairs of the Company, and some of its key subsidiaries, including reviewing its internal control processes on contracting and payment and making recommendation on enhancement of the lapses, if any. In view of the potential lapses in the Company's internal control and corporate governance, the MD and Group Financial Controller are unable to provide assurance to the Board on the effectiveness of the Company's risk management and internal control systems pending the outcome of the special review.

Apart from disclosed above, the MD and Group Financial Controller have given assurance on the proper maintenance of financial records and that the financial statements give a true and fair view of the Company's operations and finances.

With reference to the announcement on 27 May 2015, the Board and the AC have recognized that there are possible lapses and weaknesses in the Company's internal control and corporate governance processes. The special review is currently being conducted by PWC. On completion of the special review, the Company will issue further announcements on the progress of improvement based on the findings and recommendation of PWC, and thereafter the Board will give its opinion on the adequacy and effectiveness of the Group's internal control as required under Rule 1204 (10) of the Catalyst Rules.

AUDIT COMMITTEE

Principle 12: *The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.*

The Audit Committee ("AC") comprises the following members:

| | | |
|-----------|-------------------------|-------------------------------|
| Chairman: | Mr Ho Pong Chong | (Non-executive & Independent) |
| Members: | Mr Teo Hin Guan | (Non-executive & Independent) |
| | Mr Low Hai Lee | (Non-executive & Independent) |

The AC comprises all non-executive and independent Directors. The members of the AC, collectively, have the relevant accounting experience and expertise or experience in financial management to discharge the AC's responsibilities.

The AC's primary function is to provide assistance to the Board of Directors in fulfilling its responsibility relating to corporate accounting and auditing, reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's system of internal controls regarding finance, accounting, legal compliance and ethnics established by the Management and the Board.

The AC's statutory functions are:-

- to review with the internal and external auditors, their audit plans;
- to review with the internal and external auditors, their evaluation of the Group's system of internal controls;
- to review with the internal and external auditors, their audit reports;
- to review the co-operation / assistance given by the Group's officers to the internal and external auditors;
- to review the scope and results of the internal audit procedures;

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- to review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account and to submit them to the Board;
- to nominate and review the appointment or re-appointment of external auditors.

The AC also has full access to both the internal and external auditors and reviewed the Group's system of internal control including operational policies established by the Management.

The AC has the authority to investigate any matter within its terms of reference. It has full access to, and the cooperation of the Management and full discretion to invite Directors and/or executive officers to attend its meeting.

The AC meets with the external auditors, without the presence of Management, at least once a year to discuss the reasonableness of the financial reporting process, the weaknesses in internal controls raised during the course of statutory audit, and the significant comments and recommendations by the auditors. The AC has met with the external auditors without the presence of the Management for FY14/15.

The AC has reviewed the scope and quality of work of the external auditors, Messrs Crowe Horwath First Trust LLP ("CHFT"), after taking into account the resources and experience of CHFT and the audit engagement partner assigned to the audit, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by CHFT for the audit.

The AC also reviewed the independence and objectivity of the independent auditor annually. During the financial year under review, the AC has reviewed the independence of CHFT as well as reviewing the non-audit services provided and the fees paid to them. There was no non-audit related work carried out by the external auditor in the current financial year, and accordingly, no non-audit fees were paid to the auditors CHFT. The AC is satisfied with their independence; hence has recommended the re-appointment of the external auditors at the AGM of the Company. According to Rule 1204(6) (a) of the Catalist Rules, the audit fee to be paid to the external auditors for the year under review is reflected in Note 20 of the Financial Statement.

The AC is kept abreast by the Management and the external auditors of changes to accounting standards. Prior to commencement of statutory audit each year, the external auditor will present their audit planning memorandum to the AC in which they will highlight recent changes in accounting standards and the potential impact on the Group's financial statements, if any.

The Group has appointed the same auditing firm and its associates to audit all its entities for FY14/15.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its independent auditors.

INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company outsource its internal audit function to Needsbridge Advisory Sdn Bhd since February 2012. This is to ensure that the internal auditor is able to maintain its independence and reports directly to the AC. The internal auditor based on the risk profile of the Group in 2012, focuses on the core door business of the Group in their audit checks.

The Group's door manufacturing facilities and operations are mainly located overseas in Malaysia and China. NBA from Malaysia is familiar with our core business and they are also act as the internal auditors for listed entities in Malaysia. The AC is of satisfied that NBA is adequately qualified and resourced, and has the appropriate standing in the Company to discharge its duties effectively, taken into consideration NBA's experience and credentials.

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NBA formulate its internal audit plan based on the risk profile of the Group and performed four internal audit cycles per year on the operations in Singapore, Malaysia and China. Quarterly reports are presented to the AC to assess the adequacy of the Group's internal control systems and its weaknesses. Information on the internal auditor is disclosed in the Corporate Information located on the last page of the Annual Report. The AC has direct access to the Internal Auditor of the company and at any point in time when necessary, the AC can communicate with the internal auditor without management involvement.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

In line with continuous disclosure obligations of the company pursuant to the Catalist Rules and the Singapore Companies Act, the Company endeavors to maintain constant and effective communications with shareholders through timely and comprehensive announcements.

The Company disseminate latest corporate news, strategies, announcement and notices of meetings promptly through SGXNET, annual report, circulars and press releases. The Group's corporate governance practice are disclose in yearly annual report of the Company to enable the shareholders to have a better understanding of the Group's stewardship role.

The Company's Articles of Association allow each shareholder to appoint up to two proxies to attend general meetings. Currently, this is sufficient for the shareholders base of the Company. Should the need arises, the Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

The Company has appointed investors relations firm August Consulting to advise the Group on shareholders engagement in October 2014. August Consulting assisted the Group in shareholders enquiries, press releases, and annual report presentation during FY14/15.

In addition to the half yearly, full year financial results and material information announcements, annual reports that provide information on the prospects of the Company, Board of Directors, Key Management, Report on Corporate Governance practices and Audited Financial Statements for the past financial year are circulated to the shareholders prior to the annual general meeting. Shareholders are encourage to share their views on the Company's past year performance during the annual general meeting. The annual report would be uploaded to the Company's website for shareholders' viewing in addition to circulation and SGXNET announcement.

The Group does not have a fixed dividend policy at present. There were no dividends paid or payable for FY14/15 due to the fact that the holding company, KLW Holdings Limited is loss making with retained losses. The Board will put in place a dividend policy once the Board is able to foresee that dividends will be payable to shareholders. The Board in determining dividend proposal, will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

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CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company*

The Company welcomes active participation from shareholders at general meetings. Shareholders of the Company are invited to attend the shareholders' meetings through notices in the annual report and circulars sent to them prior to the meetings, notices advertised in Business Times and notices announced through SGXNET.

To facilitate voting by shareholders, the Company's articles allow shareholders to vote by proxies. Proxy forms can be sent to the Company by mail. Each distinct issue is voted via separate resolutions at general meetings. The Board of Directors will attend the meetings for FY14/15 to address any queries raised by shareholders and call upon its professional service providers where it deem appropriate. All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their request.

The Company conducted poll voting for all resolutions tabled at the general meetings during FY14/15. Results were announced in details via SGXNET within the same day of the meeting.

DEALINGS IN THE COMPANY'S SECURITIES

The Group has adopted an internal code to provide guidance to its officers with regards to dealings in the Company's securities. Guidance will be issued to inform Directors and employees that:

- (a) one should not deal in the Company's securities on short-term considerations; and
- (b) one should not deal in the Company's securities during the period commencing one month before the announcement of the company's half year and full year financial statements.

INTERESTED PERSONS TRANSACTIONS

There were no transactions with interested persons for the financial year from 1 April 2014 to 31 March 2015.

MATERIAL CONTRACTS

No material contracts have been entered into by the Company and its subsidiaries involving the interests of Chairman and Managing Director, each Director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

USE OF PROCEEDS

The Company had on 4 June 2015 announced the status of use of proceeds from its placement and rights issue exercise ("Use of Proceeds Announcement"). As at the date of this report, there is no disbursement of fund since the Use of Proceeds Announcement.

Report on Corporate Governance

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and procedures which provide employees with accessible channels to the AC for reporting suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. The Company will review the current whistle blowing policy and extend the policy to external parties such as customers, suppliers, contractors and other stakeholders by third quarter of 2015. Meanwhile, the external parties can lodge their report, if any, via email at jennifer.lee@intertrustgroup.com with the Company Secretary, Ms Jennifer Lee, Intertrust Singapore Corporate Services Pte Ltd. who will then direct the report to the AC.

CATALIST SPONSOR

Pursuant to Rule 1204 (21) of the Catalist Rules, the Company wishes to disclose that there was no non-sponsor fee paid to SAC Capital Private Limited during the engagement period from 5 March 2015 to 31 March 2015.

There was also no non-sponsor fee paid to the previous sponsor RHT Capital Pte. Ltd during the engagement period from 1 April 2014 to 4 March 2015.

TREASURY SHARES

There are no treasury shares held by the Company at the end of the financial year from 1 April 2014 to 31 March 2015.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

The directors are pleased to present their report to the members together with the audited consolidated financial statements of KLW Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2015.

Directors

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

Pengiran Muda Abdul Qawi (appointed on 30 September 2014)
 Lee Boon Teck
 Ho Pong Chong
 Teo Hin Guan
 Low Hai Lee

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Direct interests | | | Deemed interests | | |
|-----------------------------|---|------------------------|------------------------|---|------------------------|------------------------|
| | At 1 April 2014, or date of appointment, if later | At 31 March 2015 | At 21 April 2015 | At 1 April 2014, or date of appointment, if later | At 31 March 2015 | At 21 April 2015 |
| Company | | | | | | |
| <i>Ordinary shares</i> | | | | | | |
| Lee Boon Teck | 630,428,000 | 980,428,000 | 980,428,000 | 3,414,000 | 3,414,000 | 3,414,000 |
| Teo Hin Guan | 2,080,000 | 4,160,000 | 4,160,000 | — | — | — |
| Pengiran Muda Abdul Qawi | — | — | — | 500,000,000 | 500,000,000 | 500,000,000 |

Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Directors' contractual benefits

Since the end of the previous financial period, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. A director also received remuneration from related corporations in his capacity as director.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Ho Pong Chong (Chairman)
Teo Hin Guan
Low Hai Lee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2015 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

LEE BOON TECK
Director

HO PONG CHONG
Director

8 July 2015

Statement by Directors

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 105 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the results, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the Board of Directors

LEE BOON TECK
Director

HO PONG CHONG
Director

8 July 2015

Independent Auditors' Report

TO THE MEMBERS OF KLW HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the accompanying financial statements of KLW Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 105, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Due to the matters described in the Basis for Disclaimer of Opinion paragraphs below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

- (a) As disclosed in Note 7 to the financial statements, included in the Group's trade and other receivables as at 31 March 2015 was a net receivable of commitment fees amounting to \$9.0 million, after an allowance for impairment loss of \$7.2 million was made against the gross receivable of \$16.2 million. The balance of \$9.0 million was subsequently recovered by the Group as of the date of this report (see below).

As a background, during the current financial year, the Group paid a total of \$16.2 million of commitment fees pursuant to three term sheets ("Term Sheets") entered into with the respective counterparties for the contemplated collaboration between the Group and these respective counterparties in certain property development and hotel acquisition projects in Bali (Indonesia) and Zhangye Gansu (China), as more fully described in Note 7 to the financial statements. The Group had not entered into any definitive agreement with the respective counterparties by the stipulated deadline of July 2014. As a result, the commitment fees of \$16.2 million had since become refundable in full by the counterparties but remained unpaid and became overdue as at 31 March 2015 (the balance sheet date).

Subsequent to the balance sheet date and on 27 May 2015, the Company announced that, amongst others, the Term sheets and the commitment fees paid thereunder were without proper authorization of the Board of Directors, and had since taken the necessary actions to recover the commitment fees paid. On 26 May 2015, 27 May 2015 and 1 July 2015 respectively, the Group had managed to recover a total of \$9.0 million. The remaining outstanding balance of \$7.2 million was fully provided for by the Group merely on the grounds of prudence and conservatism, as publicly announced by the Company on 26 June 2015.

In the light of the above, we have not been able to obtain sufficient appropriate audit evidence and satisfactory explanations from management and the directors relating to the (i) propriety of the Term Sheets and the commitment fees paid thereunder; (ii) relationship between the Group and the counterparties as well as the credentials and financial credibility of these counterparties; (iii) commercial rationale in making substantial commitment fees to these counterparties on the execution of the Term Sheets or prior to the execution of any definitive agreement; (iv) appropriate approval processes for sanctioning major contracts and payments, in particular, the Term Sheets and commitment fees paid; and (v) appropriateness of the allowance for impairment of \$7.2 million on the basis as stated above.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

Independent Auditors' Report

TO THE MEMBERS OF KLW HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

- (b) As announced by the Group on 27 May 2015, the Audit Committee is concerned with the internal control lapses and corporate governance failures which have been uncovered, and will undertake a review into the matter. Subsequently on 26 June 2015, the Audit Committee has appointed PricewaterhouseCoopers LLP ("PWC") as the Special Auditors to conduct an independent review relating to the above matter, including reviewing the processes and procedures concerning the Group's approval of major contracts and substantial payments.

As at the date of this report, PWC's independent review is still ongoing. Accordingly, we are unable to ascertain the pervasiveness of the potential internal control lapses and corporate governance failures and/or to determine whether any further exceptions that may be reported by PWC and any adjustments arising thereon which may have an impact on the accompanying financial statements.

- (c) In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements of the Group and the balance sheet of the Company, nor are we able to quantify the extent of adjustments that might be necessary in respect of the financial statements of the Group and balance sheet of the Company for the financial year ended 31 March 2015. We are also unable to determine the related effects of those matters described above, including any effects on representations, which could only be reported and disclosed in the financial statements of the Group and the balance sheet of the Company for subsequent financial years when they become determinable and can be reasonably estimated.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, except for those matters referred to in the Basis for Disclaimer of Opinion paragraphs above, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP

Public Accountants and
Chartered Accountants
Singapore

8 July 2015

Balance Sheets

AS AT 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

| | Note | Group | | Company | |
|---|------|--------------------|-------------------|-------------------|-------------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 3 | 19,554,601 | 10,575,466 | 122,255 | 226,314 |
| Investment property | 4 | 26,577,974 | – | – | – |
| Investment in subsidiaries | 5 | – | – | 39,319,805 | 28,635,698 |
| Available-for-sale financial assets | 6 | 2,767 | 2,767 | – | – |
| Other receivable, deposit and prepayments | 7 | 2,853,586 | 456,512 | – | – |
| | | 48,988,928 | 11,034,745 | 39,442,060 | 28,862,012 |
| Current assets | | | | | |
| Inventories | 8 | 8,602,407 | 6,487,686 | – | – |
| Gross amount due from customers for contract work | 9 | 3,333,528 | 1,543,676 | – | – |
| Trade and other receivables | 7 | 16,166,623 | 7,493,450 | 29,740,359 | 6,158,793 |
| Cash and bank balances | 10 | 31,246,852 | 10,824,292 | 22,574,941 | 40,653 |
| | | 59,349,410 | 26,349,104 | 52,315,300 | 6,199,446 |
| TOTAL ASSETS | | 108,338,338 | 37,383,849 | 91,757,360 | 35,061,458 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 11 | 4,209,631 | 4,404,751 | 651,038 | 1,955,978 |
| Gross amount due to customers for contract work | 9 | 250,720 | – | – | – |
| Borrowings | 12 | 1,710,812 | 1,214,611 | 10,428 | 20,426 |
| Income tax payable | | 622,894 | 360,858 | – | – |
| | | 6,794,057 | 5,980,220 | 661,466 | 1,976,404 |
| Non-current liabilities | | | | | |
| Shares with preference rights | 11 | 5,565,000 | 5,790,000 | 5,565,000 | 5,790,000 |
| Borrowings | 12 | 18,545,180 | 67,336 | – | 12,914 |
| Deferred tax liabilities | 13 | 1,095,489 | 1,167,689 | – | – |
| | | 25,205,669 | 7,025,025 | 5,565,000 | 5,802,914 |
| TOTAL LIABILITIES | | 31,999,726 | 13,005,245 | 6,226,466 | 7,779,318 |
| NET ASSETS | | 76,338,612 | 24,378,604 | 85,530,894 | 27,282,140 |
| EQUITY | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | 14 | 103,170,633 | 48,013,638 | 103,170,633 | 48,013,638 |
| Revaluation and other reserves | 15 | 5,614,241 | 2,494,961 | 3,286,752 | – |
| Accumulated losses | | (32,446,262) | (26,129,995) | (20,926,491) | (20,731,498) |
| TOTAL EQUITY | | 76,338,612 | 24,378,604 | 85,530,894 | 27,282,140 |

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

| | Note | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
|--|-------|---|---|
| Revenue | 16 | 41,255,417 | 38,667,132 |
| Cost of sales | | (29,566,413) | (29,237,112) |
| Gross profit | | 11,689,004 | 9,430,020 |
| Other income | 17 | 1,030,690 | 1,097,186 |
| Selling and distribution expenses | | (1,348,488) | (1,394,625) |
| Administrative expenses | | (9,180,486) | (7,972,862) |
| Finance costs | 18 | (859,948) | (750,860) |
| Other expense | 17 | (7,381,434) | – |
| (Loss) / profit before income tax | 20 | (6,050,662) | 408,859 |
| Income tax expense | 21(a) | (265,605) | (237,204) |
| (Loss) / profit for the financial year / period | | (6,316,267) | 171,655 |
| Other comprehensive (loss) / income: | | | |
| <u>Item that may be reclassified subsequently to profit or loss</u> | | | |
| Currency translation differences arising from consolidation | 21(b) | (167,472) | (223,838) |
| <u>Item that will not be reclassified subsequently to profit or loss</u> | | | |
| Surplus on revaluation of leasehold land and buildings | 21(b) | – | 1,507,019 |
| Other comprehensive (loss) / income, net of tax | 21(b) | (167,472) | 1,283,181 |
| Total comprehensive (loss) / income for the financial year / period | | (6,483,739) | 1,454,836 |
| (Loss) / Profit attributable to: | | | |
| Equity holders of the Company | | (6,316,267) | 171,655 |
| Total comprehensive (loss) / income attributable to: | | | |
| Equity holders of the Company | | (6,483,739) | 1,454,836 |
| (Loss) / earnings per share (Cents per share) | | | |
| Basic | 22 | (0.133) | 0.008 |
| Diluted | | (0.133) | 0.008 |

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

| | Attributable to equity holders of the Company | | | | | Total |
|---|---|---------------------------|--------------------------------------|-----------------|--------------------|-------------|
| | Share capital | Asset revaluation reserve | Foreign currency translation reserve | Warrant reserve | Accumulated losses | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1.1.2013 | 35,812,247 | 2,466,090 | (1,254,310) | – | (26,301,650) | 10,722,377 |
| Profit for the financial period | – | – | – | – | 171,655 | 171,655 |
| Other comprehensive income, net of tax | – | 1,507,019 | (223,838) | – | – | 1,283,181 |
| Total comprehensive income for the financial period | – | 1,507,019 | (223,838) | – | 171,655 | 1,454,836 |
| <u>Contribution by owners</u> | | | | | | |
| Issuance of shares | 12,201,391 | – | – | – | – | 12,201,391 |
| Balance at 31.3.2014 | 48,013,638 | 3,973,109 | (1,478,148) | – | (26,129,995) | 24,378,604 |
| Balance at 1.4.2014 | 48,013,638 | 3,973,109 | (1,478,148) | – | (26,129,995) | 24,378,604 |
| Loss for the financial year | – | – | – | – | (6,316,267) | (6,316,267) |
| Other comprehensive loss, net of tax | – | – | (167,472) | – | – | (167,472) |
| Total comprehensive loss for the financial year | – | – | (167,472) | – | (6,316,267) | (6,483,739) |
| <u>Contribution by owners</u> | | | | | | |
| Issuance of shares | 55,518,810 | – | – | 3,286,752 | – | 58,805,562 |
| Shares issuance expenses | (361,815) | – | – | – | – | (361,815) |
| Total contribution by owners | 55,156,995 | – | – | 3,286,752 | – | 58,443,747 |
| Balance at 31.3.2015 | 103,170,633 | 3,973,109 | (1,645,620) | 3,286,752 | (32,446,262) | 76,338,612 |

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

| | Note | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
|--|------|---|---|
| Cash flows from operating activities | | | |
| (Loss) / Profit before income tax: | | (6,050,662) | 408,859 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | | 794,251 | 638,788 |
| (Gain) / Loss on disposal of property, plant and equipment | | (25,453) | 15,658 |
| Reversal of impairment loss of trade receivables | | (39,212) | – |
| Write back of long outstanding other payable | | (47,641) | – |
| Impairment loss of trade and other receivables | | 7,381,434 | – |
| Interest expense | | 859,948 | 750,860 |
| Interest income | | (186,104) | (26,552) |
| Unrealised exchange differences | | 127,026 | 129,631 |
| Operating profit before working capital changes | | 2,813,587 | 1,917,244 |
| Inventories | | (2,363,481) | 334,960 |
| Trade and other receivables | | (2,959,075) | 882,850 |
| Trade and other payables | | 426,030 | (3,507,927) |
| Cash used in operations | | (2,082,939) | (372,873) |
| Interest paid | | (859,948) | (750,860) |
| Interest income received | | 186,104 | 26,552 |
| Income taxes paid | | (2,645) | (23,654) |
| Net cash used in operating activities | | (2,759,428) | (1,120,835) |
| Cash flows from investing activities | | | |
| Other receivables – Due from its former subsidiaries | 7 | 423,228 | (444,951) |
| Other receivables – Commitment fees | 7 | (16,200,000) | – |
| Deposit for investment property | 7 | (1,327,120) | – |
| Proceeds from disposal of property, plant and equipment | | 89,963 | 17,749 |
| Purchase of investment property | 4 | (27,584,498) | – |
| Purchase of property, plant and equipment | A | (4,323,527) | (1,216,898) |
| Net cash inflow on acquisition of a subsidiary | 5(d) | (2,122,255) | – |
| Net cash used in investing activities | | (51,044,209) | (1,644,100) |

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

| | Note | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
|--|------|---|---|
| Cash flows from financing activities | | | |
| Proceeds from issuance of new shares | 14 | 58,805,562 | 12,201,391 |
| Share issuance expenses | 14 | (361,815) | – |
| Bank borrowings drawdown | | 16,394,954 | 1,123,445 |
| Repayment of borrowings | | (417,021) | (322,950) |
| Withdrawal of pledged fixed deposits | 10 | 20,839 | 34,461 |
| Net cash from financing activities | | 74,442,519 | 13,036,347 |
| Net increase in cash and cash equivalents | | | |
| | | 20,638,882 | 10,271,412 |
| Cash and cash equivalents at beginning of financial year / period | | | |
| | | 10,803,453 | 556,858 |
| Effect of exchange rate changes on cash and cash equivalents | | | |
| | | (195,483) | (24,817) |
| Cash and cash equivalents at end of financial year / period | 10 | 31,246,852 | 10,803,453 |

Note A

For the purpose of the statement of cash flows, the Group's additions to property, plant and equipment during the financial year / period comprised of:

| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
|---|---|---|
| Property, plant and equipment purchased during the financial year / period (Note 3) | 8,048,284 | 1,248,283 |
| Less: Amount outstanding as at the end of the financial year / period | (3,724,757) | (31,385) |
| Cash payment to acquire property, plant and equipment | 4,323,527 | 1,216,898 |

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

KLW Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The address of the Company's registered office is at 39 Kaki Bukit Industrial Terrace, Singapore 416119 and its principal place of business is located at 190 Macpherson Road, #03-02 Wisma Gulab, Singapore 348548.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

The financial statements for the financial year ended 31 March 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 8 July 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Singapore dollars ("S\$").

The preparation of the financial statements in conformity with FRS requires management to exercise its judgements in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of 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 ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 April 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| Descriptions | Effective for annual periods beginning on or after |
|--|--|
| Amendments to FRS 19: <i>Defined Benefit Plans: Employee Contributions</i> | 1 July 2014 |
| Improvements to FRSs (January 2014) | |
| – Amendment to FRS 102 <i>Share-based Payment</i> | 1 July 2014* |
| – Amendment to FRS 103 <i>Business Combinations</i> | 1 July 2014^ |
| – Amendment to FRS 108 <i>Operating Segments</i> | 1 July 2014 |
| – Amendment to FRS 16 <i>Property, Plant and Equipment</i> | 1 July 2014 |
| – Amendment to FRS 24 <i>Related Party Disclosures</i> | 1 July 2014 |
| – Amendment to FRS 38 <i>Intangible Assets</i> | 1 July 2014 |
| Improvements to FRSs (February 2014) | |
| – Amendment to FRS 103 <i>Business Combinations</i> | 1 July 2014 |
| – Amendment to FRS 113 <i>Fair Value Measurement</i> | 1 July 2014 |
| – Amendment to FRS 40 <i>Investment Property</i> | 1 July 2014 |
| FRS 114 <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016 |
| Amendments to FRS 16 and FRS 41: <i>Agriculture: Bearer Plants</i> | 1 January 2016 |
| Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i> | 1 January 2016 |
| Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | 1 January 2016 |
| Improvements to FRSs (November 2014) | |
| – Amendment to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | 1 January 2016 |
| – Amendment to FRS 107 <i>Financial Instruments: Disclosures</i> | 1 January 2016 |
| – Amendment to FRS 19 <i>Employee Benefits</i> | 1 January 2016 |
| – Amendment to FRS 34 <i>Interim Financial Reporting</i> | 1 January 2016 |
| Amendments to FRS 1: <i>Disclosure Initiative</i> | 1 January 2016 |
| Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2017 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |

* The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014

^ The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014

Except for Amendment to FRS 103, Amendment to FRS 108, Amendment to FRS 24, Amendment to FRS 27, Amendment to FRS 113, Amendment to FRS 1, FRS 109 and FRS 115, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new or revised FRSs are described below.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Improvements to FRSs (January 2014): Amendment to FRS 103 Business Combinations

The amendment clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.

The Group will apply these amendments to the future business combination from 1 July 2014 onwards.

Improvements to FRSs (January 2014): Amendment to FRS 108 Operating Segments

The amendment require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total segment assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in financial year 2016.

Improvements to FRSs (January 2014): Amendment to FRS 24 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the breakdown of the components of such compensation is not required to be disclosed.

The management expects that the adoption of the amendment will not result in additional parties being identified as related to the Group. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in financial year 2016.

Amendments to FRS 27: Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in FRS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

Improvements to FRSs (February 2014): Amendment to FRS 113 Fair Value Measurement

The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, regardless of whether they meet the definitions of financial assets or financial liabilities in FRS 32 Financial Instruments: Presentation.

The management expects that this amendment will not have a material impact to the fair value measurement as the Group has no assets or liabilities that are already managed on a portfolio basis.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Amendments to FRS 1: Disclosure Initiative

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the balance sheet and statement of comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in financial year 2016.

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2017.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

(i) Subsidiaries

(a) *Basis of consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

(i) Subsidiaries (Continued)

(b) *Acquisition of businesses (Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) *Disposals of subsidiaries or businesses*

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

Investment in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("S\$"), which is also the functional currency of the Company.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (see the accounting policy for borrowing costs as set out in this Note). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for leasehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Leasehold land and buildings are subsequently stated at revalued amount less accumulated depreciation and any accumulated impairment loss. Leasehold land and buildings are revalued every five years or at shorter intervals, if appropriate and whenever their carrying amounts are likely to differ materially from their revalued amounts. Their revalued amounts are determined by an independent professional valuer. Leasehold land and buildings had been last revalued at 31 March 2014 based on valuations performed by accredited independent valuer.

Any revaluation increase arising on the revaluation of such leasehold land and buildings is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit arising on the revaluation of such leasehold land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Construction in progress includes all cost of construction and other direct costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress is not depreciated. All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost or valuation of the assets over their estimated useful lives as follows: -

| | Useful lives (Years) |
|------------------------------|--|
| Leasehold land and buildings | 25 years to 60 years (lease term) |
| Plant and equipment | 5 to 10 |
| Motor vehicles | 4 to 10 |
| Renovations | 5 years period or the lease term, whichever is shorter |

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income (expenses)". The revaluation surplus included in the assets revaluation reserve in respect of an asset is transferred directly to retained earnings, on retirement or disposal of the asset.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss in the year of retirement or disposal within "Other income (expenses)".

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent on those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Construction contracts work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Contract costs include costs that relates directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The aggregate of costs incurred and the profit / loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amounts due to customers for contract work.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every balance sheet date. As at the balance sheet date, the Group has no other financial assets in the categories of financial assets other than the category of available-for-sale financial assets and loans and receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on the classification, as follows:

(a) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including gross amount due from customers for contract work, and excludes prepayments and advances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

(iii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the balance sheet date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(i) Borrowings

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

(ii) Shares with preference rights

Shares with preference rights that carry non-discretionary dividend obligations shall be classified as liabilities. The dividends on such shares are recognised as finance expenses.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2006, the date of inception is deemed to be 1 January 2006 in accordance with the transitional requirements of INT FRS 104.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised as a liability at their fair values adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Share capital and share issuance expenses

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from supply and installation projects is recognised based on the stage of completion of the contract activities. The percentage of completion for a given project is determined after considering the relationship of the cost of work performed to-date to total contract cost for the project. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Rental income arising from operating leases is recognised on a straight-line basis over the lease terms.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with.

Employees' benefits

(i) Retirement benefits

The Group and the Company participate in the national schemes as defined by the laws of the countries in which it has operations.

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension schemes.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income taxes for current and prior periods are recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group and 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 Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and 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 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 entity 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;
 - (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).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) *Impairment of loans and receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically reviews its loan and receivables and analyse historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date. The carrying amounts of trade and other receivables of the Group and of the Company at the balance sheet date are disclosed in Note 7.

As of balance sheet date:

- the Group provided an allowance for impairment loss of \$181,434 on the Group's trade receivables, which the amount was related to a debtor that was in financial difficulties and deemed financially unable to repay (Note 7).
- the Group provided an allowance for impairment loss of \$7,200,000 on the other receivables – commitment fees paid to the counter parties merely on the grounds of prudence and conservatism (Note 7).

If the net present values of estimated cash flows decrease by 10% (2014: 10%) from management's estimates for all past due but not impaired loans and receivables, the Group's allowance for impairment for trade receivables for the financial year/period will increase by \$32,198 (2014: \$227,840).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) *Income tax*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has not recognised any additional tax liability on these uncertain tax positions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax assets and liabilities as at 31 March 2015 are disclosed in Note 13.

The Group has unrecognised tax losses and unutilised capital allowances carried forward amounting of approximately \$35,824,000 and \$663,000 (2014: \$32,851,000 and \$495,000). These losses relate to the Company and certain subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, (loss)/profit for the financial year/period would (decrease)/increase by approximately \$6,203,000 (2014: \$5,669,000) (Note 21).

(c) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significant as a result of competitor actions in response to secure industry cycles. Management will reassess the estimations at the balance sheet date. The carrying amounts of the Group's inventories are at the balance sheet date are disclosed in Note 8.

(ii) Critical judgements in applying the entity's accounting policies

In the opinion of the management, there are no critical judgement made in applying the Group's accounting policies, apart from those involving estimates, which have a significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

3. PROPERTY, PLANT AND EQUIPMENT

| Group | At valuation ← Cost → | | | | | Total |
|---|------------------------------------|------------------------|-------------------|-------------|-----------------------------|------------|
| | Leasehold land and buildings | Plant and equipment | Motor vehicles | Renovations | Construction in progress | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost or valuation | | | | | | |
| As at 1.1.2013 | 7,646,471 | 8,071,873 | 449,333 | 159,292 | – | 16,326,969 |
| Additions | 306,385 | 455,742 | 151,089 | 335,067 | – | 1,248,283 |
| Disposals / written off | – | (41,476) | – | (226) | – | (41,702) |
| Revaluation surplus | 2,058,226 | – | – | – | – | 2,058,226 |
| Elimination of accumulated depreciation on revaluation | (649,326) | – | – | – | – | (649,326) |
| Currency translation differences | (277,455) | (228,536) | (29,230) | (1,703) | – | (536,924) |
| As at 31.3.2014 | 9,084,301 | 8,257,603 | 571,192 | 492,430 | – | 18,405,526 |
| As at 1.4.2014 | 9,084,301 | 8,257,603 | 571,192 | 492,430 | – | 18,405,526 |
| Arising from acquisition of a subsidiary (Note 5) | 2,122,255 | – | – | – | – | 2,122,255 |
| Additions | 4,646,313 | 264,513 | 271,953 | 234,521 | 2,630,984 | 8,048,284 |
| Disposals / written off | – | (567,688) | (40,830) | (40) | – | (608,558) |
| Currency translation differences | (227,589) | (447,135) | (153,996) | (1,538) | (128,515) | (958,773) |
| As at 31.3.2015 | 15,625,280 | 7,507,293 | 648,319 | 725,373 | 2,502,469 | 27,008,734 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

| Group | At valuation | Accumulated depreciation | | | | |
|--|------------------------------|--------------------------|----------------|-------------|--------------------------|------------|
| | Leasehold land and buildings | Plant and equipment | Motor vehicles | Renovations | Construction in progress | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Accumulated depreciation | | | | | | |
| As at 1.1.2013 | 479,533 | 7,261,275 | 338,825 | 45,879 | – | 8,125,512 |
| Charge for the financial period | 215,652 | 238,870 | 61,359 | 122,907 | – | 638,788 |
| Disposals / written off | – | (8,295) | – | – | – | (8,295) |
| Elimination of accumulated depreciation on revaluation | (649,326) | – | – | – | – | (649,326) |
| Currency translation differences | (22,228) | (243,338) | (8,054) | (2,999) | – | (276,619) |
| As at 31.3.2014 | 23,631 | 7,248,512 | 392,130 | 165,787 | – | 7,830,060 |
| As at 1.4.2014 | 23,631 | 7,248,512 | 392,130 | 165,787 | – | 7,830,060 |
| Charge for the financial year | 329,282 | 213,650 | 86,569 | 164,750 | – | 794,251 |
| Disposals / written off | – | (533,853) | (10,195) | – | – | (544,048) |
| Currency translation differences | (1,336) | (472,233) | (152,314) | (247) | – | (626,130) |
| As at 31.3.2015 | 351,577 | 6,456,076 | 316,190 | 330,290 | – | 7,454,133 |
| Net carrying amount | | | | | | |
| As at 31.3.2015 | 15,273,703 | 1,051,217 | 332,129 | 395,083 | 2,502,469 | 19,554,601 |
| As at 31.3.2014 | 9,060,670 | 1,009,091 | 179,062 | 326,643 | – | 10,575,466 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

| Company | Motor vehicles \$ | Renovations \$ | Total \$ |
|---------------------------------|----------------------|-------------------|-------------|
| Cost | | | |
| As at 1.1.2013 | – | – | – |
| Additions | 48,645 | 245,000 | 293,645 |
| As at 31.3.2014 | 48,645 | 245,000 | 293,645 |
| As at 1.4.2014 | 48,645 | 245,000 | 293,645 |
| Disposal | (20,167) | – | (20,167) |
| As at 31.3.2015 | 28,478 | 245,000 | 273,478 |
| Accumulated depreciation | | | |
| As at 1.1.2013 | – | – | – |
| Charge for the financial period | 6,081 | 61,250 | 67,331 |
| As at 31.3.2014 | 6,081 | 61,250 | 67,331 |
| As at 1.4.2014 | 6,081 | 61,250 | 67,331 |
| Charge for the financial year | 7,827 | 81,667 | 89,494 |
| Disposal | (5,602) | – | (5,602) |
| As at 31.3.2015 | 8,306 | 142,917 | 151,223 |
| Net carrying amount | | | |
| As at 31.3.2015 | 20,172 | 102,083 | 122,255 |
| As at 31.3.2014 | 42,564 | 183,750 | 226,314 |

Assets held under finance lease

The carrying amount of the Group's and of the Company's motor vehicles held under finance lease at the balance sheet date are \$332,129 (2014: \$143,131) and \$20,172 (2014: \$42,564) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 12).

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold land and buildings with a carrying amount of \$4,260,366 (2014: \$4,462,000) are pledged to financial institutions to secure the Group's bank loans (Note 12).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation of leasehold land and buildings

The Group's leasehold land and buildings had been revalued in September 2013 (Factory 1) and February 2014 (Factory 2) based on valuations performed by accredited independent valuer. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under asset revaluation reserve (Note 15). The valuations are based the market comparison approach. Details of valuation techniques and inputs used are disclosed in Note 28(i).

If the leasehold land and buildings were measured using the cost model, their net carrying amounts would be as follows:

| | Group | |
|------------------------------------|--------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Leasehold land and buildings | | |
| - Cost | 5,557,753 | 5,557,753 |
| - Accumulated depreciation | (1,581,076) | (1,503,229) |
| - Currency translation differences | (317,696) | (176,627) |
| - Net carrying amount | 3,658,981 | 3,877,897 |

4. INVESTMENT PROPERTY

| | Group |
|---|--------------------|
| | 2015 |
| | \$ |
| Balance sheet | |
| At beginning of financial year | – |
| Additions | 27,584,498 |
| Currency translation differences | (1,006,524) |
| At end of financial year | 26,577,974 |
| Income statement | |
| Rental income from investment property: | |
| - Minimum lease payments | 496,065 |
| Direct operating expenses arising from: | |
| - Rental generating property | 243,964 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

4. INVESTMENT PROPERTY (Continued)

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation performed by an accredited independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The valuations is based on the income capitalisation method that makes reference to estimated market rental values and equivalent yields. In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of the property is classified under Level 3 of the Fair Value Hierarchy (Note 28(i)).

The investment property held by the Group as at 31 March 2015 is as follows:

| Description and Location | Existing use | Tenure |
|--|--------------|----------|
| A block of seven-storey office building - 301 Flinders Lane, Melbourne, Victoria | Offices | Freehold |

The Group's investment property with a carrying amount of \$26,577,974 is mortgaged to secure the Group's bank loans (Note 12).

5. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|-------------------|-------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Unquoted equity shares, at cost | | |
| At beginning of financial year / period | 33,651,710 | 23,151,710 |
| Add : Additional equity interests in a subsidiary (Note A) | – | 10,500,000 |
| Add : Addition of equity interests | 10,684,107 | – |
| At end of financial year / period | 44,335,817 | 33,651,710 |
| Less: Impairment loss | | |
| At beginning and end of financial year / period | 10,456,722 | 10,456,722 |
| Add: Long-term loan and other receivables at amortised cost (Note 11(iii)) | | |
| | 5,440,710 | 5,440,710 |
| Net carrying amount | 39,319,805 | 28,635,698 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

5. INVESTMENT IN SUBSIDIARIES (Continued)

| Name of companies | Principal activities | Country of incorporation and place of business | Proportion (%) of ownership interests | |
|--|---|--|---------------------------------------|-----------------|
| | | | 2015 % | 2014 % |
| <u>Held by the Company</u> | | | | |
| Ambertree Pte. Ltd. ⁽¹⁾ | Rental of premises | Singapore | 100 | 100 |
| KLW Resources Sdn. Bhd. (“KLWR”) ⁽²⁾ | Investment holding | Malaysia | 100 (Note C) | 100 (Note C) |
| Ambertree Vic-Mel (Flinders) Pty Ltd ⁽³⁾ | Investment holding / Property investment | Australia | 100 (Note B) | – |
| Ambertree Vic Mel (Lincoln) Pty Ltd ⁽³⁾ | Investment holding / Property investment | Australia | 100 (Note B) | – |
| <u>Held through Ambertree Pte. Ltd.</u> | | | | |
| Ambertree Development (Singapore) Pte. Ltd. ⁽³⁾ | Dormant | Singapore | 100 (Note B) | – |
| <u>Held through KLW Resources Sdn Bhd</u> | | | | |
| KLW Wood Products (M) Sdn. Bhd. ⁽²⁾ | Manufacture and supply of doors, mouldings and wood floorings | Malaysia | 100 | 100 |
| Dongguan Lebox Doors Co. Ltd. ⁽²⁾ | Manufacture and supply of doors, mouldings and wood floorings | People’s Republic of China | 100 | 100 |
| KLW Joinery Pte. Ltd. ⁽¹⁾ | Supply and installation of doors, mouldings and wood floorings | Singapore | 100 | 100 |
| KLW (HK) Limited ⁽²⁾ | Trading of doors, mouldings, floorings and related products. | Hong Kong | 100 | 100 |
| Key Bay Furniture Co., Ltd (“Key Bay”) ⁽²⁾ | Manufacturing, processing all kinds of artificial boards, thin veneer boards, flooring boards, high quality furniture and all kinds of wooden doors | Vietnam | 100 (Note D) | – |

⁽¹⁾ Audited by Crowe Horwath First Trust LLP, Singapore

⁽²⁾ Audited by a member firm, Crowe Horwath, Johor Bahru, Malaysia

⁽³⁾ The subsidiaries are not subjected to local statutory audit for the financial year ended 31 March 2015. The financial statements were reviewed by Crowe Horwath First Trust LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

Note A

In the previous financial period, the Company has further subscribed for an additional 10,500,000 new ordinary shares in its wholly owned subsidiary, Ambertree Pte. Ltd. for an amount of \$10,500,000.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

5. INVESTMENT IN SUBSIDIARIES (Continued)

Note B

Newly incorporated during the financial year.

Note C

Included in KLWR total number of shares issued are two categories of shares with Class A ordinary shares having preferential rights over Class B in terms of dividend and liquidation. 13,016,053 Class A ordinary shares which is held by third party as at 31 March 2015 and 31 March 2014, represents 30% (2014: 30%) of the total number of issued shares and is classified as a financial liability (Note 11). In determining the Group's ownership interests in KLWR, only Class B ordinary shares which represents the entire equity instruments of KLWR are considered. The Company owns the entire Class B ordinary shares of KLWR.

Note D

At acquisition date, the Group's subsidiary, KLWR acquired a wholly owned subsidiary, namely Key Bay Furniture Co., Ltd ("Key Bay"), a company incorporated in Vietnam from non-related parties. Upon the acquisition date, Key Bay became a subsidiary of the Group.

The Group has acquired Key Bay as part of the expansion of its door making business. This will form an important part of the Group's overall manufacturing capacity and capability; offering both geographical diversity in the Group's manufacturing bases and potential savings on the Group's production cost.

The fair value of the identifiable assets and liabilities of Key Bay as at the acquisition date are as follows:

| | Fair value recognised on acquisition |
|--|---|
| | \$ |
| <u>Net identifiable assets at fair value</u> | |
| Leasehold land, representing the total identifiable net assets | 2,122,255 |
| <u>Consideration transferred for the acquisition of Key Bay</u> | |
| Cash paid, representing the total consideration transferred | 2,122,255 |
| <u>Effect of the acquisition of Key Bay on cash flows</u> | |
| Total consideration for 100% equity interest acquired, representing the net cash outflow | 2,122,255 |
| <u>Impact of the acquisition on profit or loss</u> | |

From the acquisition date until the balance sheet date, Key Bay has yet to commence operation as the construction of the factory and office building is still in progress, and has incurred expenses of \$213,939 during this period, which is considered insignificant to the Group's results for the financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | |
|---|--------------|-------|
| | 2015 | 2014 |
| | \$ | \$ |
| Quoted investment – Equity shares* | | |
| At beginning and end of financial year / period | 2,767 | 2,767 |
| Market value of quoted investment | | |
| Equity shares | 692 | 922 |

* The Group does not intend to dispose off this available-for-sale financial assets in the foreseeable future and hence classified as non-current assets. As at the balance sheet date, in the opinion of the directors, no impairment is required.

7. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|--------------------|-----------|--------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Trade receivables: | | | | |
| - Third parties | 2,897,897 | 3,184,709 | 1,339 | 10,575 |
| - Subsidiaries | – | – | 299,529 | 299,529 |
| | 2,897,897 | 3,184,709 | 300,868 | 310,104 |
| Less: Impairment loss of trade receivables ⁽ⁱ⁾ | (369,685) | (227,463) | (299,529) | (299,529) |
| Trade receivables, net | 2,528,212 | 2,957,246 | 1,339 | 10,575 |
| Other receivables: | | | | |
| - Other receivables ⁽¹⁾ | 1,518,644 | 1,617,488 | 231,494 | 619,240 |
| - Commitment fees ⁽²⁾ | 16,200,000 | – | – | – |
| - Due from subsidiaries (non-trade) ⁽³⁾ | – | – | 37,468,334 | 13,504,507 |
| | 17,718,644 | 1,617,488 | 37,699,828 | 14,123,747 |
| Less: Impairment loss of other receivables ⁽ⁱⁱ⁾ | (7,200,000) | – | (8,039,999) | (8,039,999) |
| Other receivables, net | 10,518,644 | 1,617,488 | 29,659,829 | 6,083,748 |
| Prepayments: | | | | |
| - Prepayments | 116,094 | 163,510 | 23,836 | 9,115 |
| - Advances to suppliers | 364,454 | – | – | – |
| Deposits ⁽⁴⁾ | 2,639,219 | 2,755,206 | 55,355 | 55,355 |
| Trade and other receivables, net | 16,166,623 | 7,493,450 | 29,740,359 | 6,158,793 |
| Non-current | | | | |
| Other receivable ⁽¹⁾ | – | 456,512 | – | – |
| Deposit ⁽⁵⁾ | 1,327,120 | – | – | – |
| Prepayments ⁽⁶⁾ | 1,526,466 | – | – | – |
| | 2,853,586 | 456,512 | – | – |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

7. TRADE AND OTHER RECEIVABLES (Continued)

- (1) Included in the total other receivables of the Group as at 31 March 2015 is an amount of \$1,178,958 (2014: \$1,602,186, including an amount of \$456,512 under non-current assets) being amount due from its former subsidiaries. These amounts are unsecured, interest-free and repayable on demand.
- (2) During the financial year, the Group has paid a total amount of \$16,200,000 as commitment fees in connection with the three non-binding term sheets as described below. The Group has not entered into any definitive agreement with any of the two counterparties by the stipulated deadline in July 2014 and as a result, the commitment fees became due and refundable in full by the counterparties since then, and had remained unpaid and overdue as at 31 March 2015:
- An amount of \$2,200,000 was paid under a term sheet in respect of a property development project in Bali, Indonesia. Subsequent to the financial year end, the Group has recovered \$2,000,000 of the commitment fee with the balance of \$200,000 remains outstanding from the counterparty. Accordingly, the Group made an allowance for impairment loss on the \$200,000 of the commitment fee as at 31 March 2015.
 - An amount of \$7,000,000 was paid under a term sheet in respect of a hotel acquisition in Zhangye, Gangsu, China. The counterparty in this term sheet is a company incorporated in the British Virgin Islands ("Zhangye counterparty"). Subsequent to the financial year end, the Group has fully recovered the commitment fee from the counterparty as at the date of this report.
 - An amount of \$7,000,000 was paid to the Zhangye counterparty under a term sheet in respect of a property development project in Zhangye, Gangsu, China. ("Zhangye Property Term Sheet"), which remains outstanding as at the date of this report. Despite having entered and agreed into a new plan and agreement to recover the said amount with the counterparty as disclosed in Note 30, the Group provided a full allowance for impairment loss on the said amount merely on the grounds of prudence and conservatism.
- (3) These amounts are unsecured, interest-free and repayable on demand.
- (4) Included in the current deposits of the Group is a refundable rental deposit of \$2,327,592 (\$2,327,592), which is due to be recovered from the landlord of a subsidiary's office premise at the expiration of the lease term and upon fulfilment of certain lease obligations and conditions.
- (5) This pertains to a deposit being placed with a third party vendor to secure the purchase of a property in Melbourne, Australia for AUD12,520,000, equivalent to approximately \$13,271,200 during the financial year (Note 24(ii)(a)). The remaining sum of AUD11,268,000, equivalent to approximately \$11,944,080 will only be payable within 12 months from 27 November 2014. As at balance sheet date, in the opinion of the directors, is reasonably able to fulfil the condition stipulated in the agreement.
- (6) Included in the prepayments of the Group as at 31 March 2015 is mainly an amount of \$1,504,847 being paid to suppliers for the purchase of certain plant and equipment (Note 24(ii)(c)).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

7. TRADE AND OTHER RECEIVABLES (Continued)

The movements in the related allowance for impairment are as follows:

| | Group | | Company | |
|--|-----------|----------|-----------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| (i) Trade receivables | | | | |
| At beginning of financial year / period | 227,463 | 238,154 | 299,529 | 299,529 |
| Allowance written off | – | (10,691) | – | – |
| Allowance for impairment loss (Note 17) | 181,434 | – | – | – |
| Reversal of impairment loss | (39,212) | – | – | – |
| At end of financial year / period | 369,685 | 227,463 | 299,529 | 299,529 |
| | | | | |
| | Group | | Company | |
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| (ii) Other receivables | | | | |
| At beginning of financial year / period | – | – | 8,039,999 | 10,367,591 |
| Allowance for impairment loss (Note 17) | 7,200,000 | – | – | – |
| Reversal of impairment loss | – | – | – | (2,327,592) |
| At end of financial year / period | 7,200,000 | – | 8,039,999 | 8,039,999 |

8. INVENTORIES

| | Group | |
|------------------|-----------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Finished goods | 1,345,885 | 255,551 |
| Work-in-progress | 1,561,839 | 2,600,775 |
| Raw materials | 5,403,626 | 3,045,756 |
| Goods in transit | 291,057 | 585,604 |
| | 8,602,407 | 6,487,686 |

The cost of inventories recognised as expense and included in 'cost of sales' amounted to \$18,483,587 (2014: \$16,225,424).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

9. GROSS AMOUNT DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

| | Group | |
|---|------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contract work | 13,378,552 | 9,858,912 |
| Less: Progress billings | (10,295,744) | (8,315,236) |
| | 3,082,808 | 1,543,676 |
| Presented as: | | |
| Gross amount due from customers for contract work | 3,333,528 | 1,543,676 |
| Gross amount due to customers for contract work | (250,720) | – |
| | 3,082,808 | 1,543,676 |
| Retention sums on construction contract included in amount due from customers | 479,222 | 482,332 |

In the previous financial period, an amount of \$43,113 which related to the expected losses were recognised as expenses and included in 'cost of sales'.

10. CASH AND BANK BALANCES

| | Group | | Company | |
|---|-------------------|------------|------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Cash and bank balances | 21,246,852 | 10,803,453 | 12,574,941 | 40,653 |
| Fixed deposits ⁽ⁱ⁾ | 10,000,000 | 20,839 | 10,000,000 | – |
| Cash and bank balances as per balance sheets | 31,246,852 | 10,824,292 | 22,574,941 | 40,653 |
| Less: Pledged fixed deposits ⁽ⁱⁱ⁾ | – | (20,839) | | |
| Cash and cash equivalents as per consolidated statement of cash flows | 31,246,852 | 10,803,453 | | |

⁽ⁱ⁾ Fixed deposits of the Group and Company bears interest rate at 1.22% and 1.22% (2014: 2.95% and nil) per annum and have a maturity periods of 5 months and 5 months (2014: 5 months and nil) respectively from the balance sheet date.

⁽ⁱⁱ⁾ The amount was pledged in connection with the credit facilities granted by the bank for the Group's banking facilities.

Included in cash and cash equivalents are bank deposits amounting to \$203,303 (2014: nil), which are not freely remissible for use by the Group because of currency exchange restrictions.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

11. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Trade payables: | | | | |
| - Third parties | 1,599,882 | 1,401,049 | – | – |
| Other payables: | | | | |
| - Third parties | 1,019,167 | 1,414,147 | 152,012 | 489,086 |
| - Due to subsidiaries (non-trade) ⁽ⁱ⁾ | – | – | – | 1,101,751 |
| - Directors of the Company (non-trade) ⁽ⁱ⁾ | 264,379 | 259,270 | 140,733 | 193,681 |
| | 1,283,546 | 1,673,417 | 292,745 | 1,784,518 |
| Rental deposits received | 78,082 | 348,111 | – | – |
| Deferred income ⁽ⁱⁱ⁾ | 137,880 | – | – | – |
| Accrued operating expenses | 1,110,241 | 982,174 | 358,293 | 171,460 |
| | 2,609,749 | 3,003,702 | 651,038 | 1,955,978 |
| Trade and other payables | 4,209,631 | 4,404,751 | 651,038 | 1,955,978 |
| Non-current | | | | |
| Shares with preference rights ⁽ⁱⁱⁱ⁾ | 5,565,000 | 5,790,000 | 5,565,000 | 5,790,000 |

⁽ⁱ⁾ These amounts are unsecured, interest-free and repayable on demand.

⁽ⁱⁱ⁾ Deferred income represents rental income received in advance and is non-refundable.

⁽ⁱⁱⁱ⁾ Group

This pertains to the 13,016,053 Class A shares of RM 1 each issued by a subsidiary, KLW Resources Sdn Bhd ("KLWR"), in the financial year ended 31 December 2011 which carries a cumulative preference dividend of RM0.1024 equivalent to \$0.0384 (2014:\$ 0.0395) per share per annum from financial year 2011 until 31 December 2016, and a percentage of the annual profit thereafter ("Class A shares") (Note 5). Following the general principles under FRS 32, these Class A shares are classified as a financial liability as it represents a contractual obligation for the issuer, KLWR, to deliver cash to the holder of the instrument. As the Class A shares are non-redeemable except for a put option as described below, the financial liabilities are classified as non-current. An interest expense of \$522,382 (2014: \$670,004) has been recognised relating to the dividend pay-out of Class A shares during the current financial year (Note 18).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S"))

11. TRADE AND OTHER PAYABLES (Continued)

Company

KLWR, a wholly owned subsidiary, issued 13,016,053 Class A ordinary shares and 30,370,790 Class B ordinary shares to the Company on 20 August 2010. During the financial year ended 31 December 2011, Koperasi Permodalan Felda Berhad ("KPFB") acquired the entire Class A ordinary shares from the Company for a total consideration of RM17 million, of which RM15 million equivalent to \$5,565,000 (2014: equivalent to \$5,790,000) has been received as at the financial year ended 31 December 2011. The remaining RM2 million equivalent to \$750,000 (2014: equivalent to \$772,000) will be paid to the Company upon fulfilling the terms and conditions as stipulated in the Shares Sale Agreement.

Further as part of the terms for the acquisition, the Company had granted KPFB an irrevocable option ("Put Option") to sell the Class A shares back to the Company if any of the trigger events occurs, as stipulated in the Put Option Agreement, at a purchase price duly received by the Company plus an amount equal to simple interest at a rate of 8% per annum (2014: 8% per annum).

Even though the Company had transferred the rights to the cash flows associated with the Class A shares to KPFB in return for the proceeds, the asset has not been derecognised as at balance sheet date and no gain / loss has been recognised, as the Company was deemed having continuing involvement as a result of the Put Option written to KPFB pursuant to FRS 39, the associated liability represents the proceeds of consideration received and was measured at cost. Correspondingly, the initial cost of the investment that relate to Class A shares which is the transferred but not derecognised assets, with carrying amount of \$5,440,710 (2014: \$5,440,710) is classified as long-term loan and other receivables at amortised cost (Note 5).

On 25 March 2014, KPFB agreed on following:-

- (i) extension of profit guarantee period to financial years ended 31 March 2015 and 31 March 2016;
- (ii) extension of proposed listing to financial year 2016; and
- (iii) yearly dividend on Class A shares to be paid up to the completion of listing exercise.

Other clauses stipulated in the Share Sales Agreement dated 20 August 2010, Supplemental Agreement dated 28 February 2013 and Put Option Agreement on 20 August 2010 shall remain.

As at the balance sheet date, KPFB has yet to exercise the Put Option, and in the opinion of the directors, the Group is reasonably able to avoid the trigger events from occurring; and accordingly any fair value of the Put Option is considered insignificant.

Notes to the Financial Statements

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(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

12. BORROWINGS

| | Maturity | Group | | Company | |
|--------------------------------------|-------------------------------|-------------------|------------------|---------------|---------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Current | | | | | |
| <u>Secured</u> | | | | | |
| Obligations under finance leases | February 2016 – November 2019 | 81,187 | 59,780 | 10,428 | 20,426 |
| Bankers' acceptance | – | 23,250 | 441,584 | – | – |
| Foreign currency loan against import | – | 1,487,773 | 713,247 | – | – |
| Term loan I | September 2039 | 118,602 | – | – | – |
| | | 1,710,812 | 1,214,611 | 10,428 | 20,426 |
| Non-current | | | | | |
| <u>Secured</u> | | | | | |
| Obligations under finance leases | February 2016 – November 2019 | 100,116 | 67,336 | – | 12,914 |
| Term loan I | September 2039 | 3,435,464 | – | – | – |
| Term loan II | October 2020 | 15,009,600 | – | – | – |
| | | 18,545,180 | 67,336 | – | 12,914 |
| Total borrowings | | | | | |
| Obligations under finance leases | | 181,303 | 127,116 | 10,428 | 33,340 |
| Bankers' acceptance | | 23,250 | 441,584 | – | – |
| Foreign currency loan against import | | 1,487,773 | 713,247 | – | – |
| Term loan I | | 3,554,066 | – | – | – |
| Term loan II | | 15,009,600 | – | – | – |
| Total | | 20,255,992 | 1,281,947 | 10,428 | 33,340 |

Obligations under finance leases

The obligations under finance leases are effectively secured as the rights to the leased motor vehicles of the Group and the Company (revert to the lessors in the event of default (Note 3). The weighted average effective interest rate of finance leases of the Group and Company ranges from 2.28% to 3.10% and at 2.28% (2014: ranged from 2.28% to 2.88% and at 2.28%) respectively per annum.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

12. BORROWINGS (Continued)

Obligations under finance leases (Continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Minimum lease payments | Interests | Present value of payments |
|---|---------------------------|-----------------|------------------------------|
| | \$ | \$ | \$ |
| Group | | | |
| 2015 | | | |
| Not later than one year | 88,558 | (7,371) | 81,187 |
| Later than one year and not later than five years | 112,795 | (12,679) | 100,116 |
| | 201,353 | (20,050) | 181,303 |
| 2014 | | | |
| Not later than one year | 66,968 | (7,188) | 59,780 |
| Later than one year and not later than five years | 74,748 | (7,412) | 67,336 |
| | 141,716 | (14,600) | 127,116 |
| Company | | | |
| 2015 | | | |
| Not later than one year | 11,742 | (1,314) | 10,428 |
| 2014 | | | |
| Not later than one year | 24,564 | (4,138) | 20,426 |
| Later than one year and not later than five years | 14,929 | (2,015) | 12,914 |
| | 39,493 | (6,153) | 33,340 |

Bankers' acceptance / Foreign currency loan against import

- (i) The banker's acceptance and foreign currency loan against import of the Group are secured by ways of the following:-
 - (a) corporate guarantee from the Company;
 - (b) joint and several guarantee by a director of the Company and certain directors of its subsidiaries;
 - (c) negative pledge over assets of certain subsidiaries; and
 - (d) legal charges over certain properties of certain subsidiaries (Note 3).
- (ii) Bankers' acceptance and foreign currency loan against import are drawn for a period of up to 120 days (2014: 120 days) which are renewable on maturity. Interest is charged at rates ranges from 2.70% to 5.07% (2014: ranged from 2.24% to 4.75%) per annum.

Notes to the Financial Statements

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(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

12. BORROWINGS (Continued)

Term loan I – Floating rate

- (i) Term loan I is secured by ways of the following:
 - (a) legal charges over the leasehold land and building of a subsidiary (Note 3); and
 - (b) a personal guarantee by a director of the Company.
- (ii) Term loan I is repayable by a monthly instalments commencing from October 2014 over 25 years and bears an effective interest rate of 1.36% per annum.

Term loan II – Floating rate (4.57%)

- (i) Term loan II is secured by a legal mortgage over an investment property of a subsidiary (Note 4).
- (ii) Term loan II is repayable by a monthly instalments commencing from 20 October 2016 over 4 years and bears interest at Bank Bill Swap Rate + 1.745% margin per annum.

13. DEFERRED TAX LIABILITIES / (ASSETS)

| | Group | |
|--|-----------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| At beginning of financial year / period | 1,167,689 | 729,259 |
| Recognised in the: | | |
| - profit or loss | (40,006) | (49,906) |
| - revaluation reserve in equity (Note 21(b)) | – | 551,207 |
| Currency translation differences | (32,194) | (62,871) |
| At end of financial year / period | 1,095,489 | 1,167,689 |
| Comprised offsetting as follows: | | |
| Deferred tax assets | (243,186) | (235,421) |
| Deferred tax liabilities | 1,338,675 | 1,403,110 |
| | 1,095,489 | 1,167,689 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

13. DEFERRED TAX LIABILITIES / (ASSETS) (Continued)

The components and movements of deferred tax liabilities and assets during the financial year / period prior to offsetting are as follows:

Deferred tax liabilities of the Group

| | Tax over book depreciation | Asset revaluation of leasehold land and buildings | Others | Total |
|----------------------------------|-------------------------------|--|--------|-----------|
| | \$ | \$ | \$ | \$ |
| 2015 | | | | |
| At beginning of financial year | 106,666 | 1,296,444 | – | 1,403,110 |
| Recognised in the: | | | | |
| - profit or loss | (25,129) | – | – | (25,129) |
| Currency translation differences | (28,212) | (11,094) | – | (39,306) |
| At end of financial year | 53,325 | 1,285,350 | – | 1,338,675 |

2014

| | | | | |
|----------------------------------|----------|-----------|----------|-----------|
| At beginning of financial period | 129,220 | 811,968 | 31,077 | 972,265 |
| Recognised in the: | | | | |
| - profit or loss | 9,357 | – | (57,725) | (48,368) |
| - revaluation reserve in equity | – | 551,207 | – | 551,207 |
| Currency translation differences | (31,911) | (66,731) | 26,648 | (71,994) |
| At end of financial period | 106,666 | 1,296,444 | – | 1,403,110 |

Deferred tax assets of the Group

| | Unutilised tax losses and capital allowances | Provision for inventories | Others | Total |
|----------------------------------|---|------------------------------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| 2015 | | | | |
| At beginning of financial year | (17,717) | (135,216) | (82,488) | (235,421) |
| Recognised in the: | | | | |
| - profit or loss | 24,358 | 5,165 | (44,400) | (14,877) |
| Currency translation differences | (6,641) | 10,203 | 3,550 | 7,112 |
| At end of financial year | – | (119,848) | (123,338) | (243,186) |

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S"))

13. DEFERRED TAX LIABILITIES / (ASSETS) (Continued)

Deferred tax assets of the Group (Continued)

| | Unutilised tax losses and capital allowances | Provision for inventories | Others | Total |
|----------------------------------|---|------------------------------|----------|-----------|
| | \$ | \$ | \$ | \$ |
| 2014 | | | | |
| At beginning of financial period | (102,536) | (140,470) | – | (243,006) |
| Recognised in the: | | | | |
| - profit or loss | 82,703 | – | (84,241) | (1,538) |
| Currency translation differences | 2,116 | 5,254 | 1,753 | 9,123 |
| At end of financial period | (17,717) | (135,216) | (82,488) | (235,421) |

14. SHARE CAPITAL

| | Group and Company | | | |
|--|------------------------------|--------------------|------------------------------|------------|
| | 31 March 2015 | | 31 March 2014 | |
| | Number of ordinary shares | \$ | Number of ordinary shares | \$ |
| Issued and fully paid ordinary shares | | | | |
| At beginning of financial year / period | 2,440,278,158 | 48,013,638 | 1,220,139,079 | 35,812,247 |
| Rights shares issued ⁽ⁱ⁾ | – | – | 1,220,139,079 | 12,201,391 |
| Placement of ordinary shares ⁽ⁱⁱ⁾ | 500,000,000 | 10,000,000 | – | – |
| Rights shares cum warrants issued ⁽ⁱⁱⁱ⁾ | 2,440,278,158 | 45,518,810 | – | – |
| Share issue expenses | – | (361,815) | – | – |
| At end of financial year / period | 5,380,556,316 | 103,170,633 | 2,440,278,158 | 48,013,638 |

⁽ⁱ⁾ On 31 May 2013, the Company issued and allotted 1,220,139,079 new ordinary shares at an issue price of \$0.01 each pursuant to the one-for-one rights issue exercise undertaken by the Company.

⁽ⁱⁱ⁾ On 9 June 2014, the Company issued 500,000,000 placement shares at an issue price of \$0.02 for each placement share.

⁽ⁱⁱⁱ⁾ A rights issue of 2,440,278,158 new shares at an issue price of \$0.02 for each rights share was made by the Company in 3 July 2014 to entitled shareholders on the basis of one rights share with one free detachable warrant for every one existing ordinary shares held. Each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.07 for each new share. The rights issue has been fully subscribed. Accordingly the total proceeds of \$48,805,562, net of \$361,815 of transaction costs, are allocated to ordinary shares and warrants using the fair values of the two instruments on a pro-rata basis. As a result, \$45,518,810 was recorded within share capital and another \$3,286,752 was recorded under "warrant reserve" (Note 15) respectively.

The newly issued shares rank pari passu in all respects with previously issued shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

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(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

15. REVALUATION AND OTHER RESERVES

| | Asset revaluation reserve | Foreign currency translation reserve | Warrant reserve | Total |
|---|---------------------------------|---|--------------------|-----------|
| | \$ | \$ | \$ | \$ |
| Group | | | | |
| 2015 | | | | |
| At beginning of financial year | 3,973,109 | (1,478,148) | – | 2,494,961 |
| Net exchange differences on translation of financial statements of foreign subsidiaries | – | (167,472) | – | (167,472) |
| Fair value of the warrants (Note 14) | – | – | 3,286,752 | 3,286,752 |
| At end of financial year | 3,973,109 | (1,645,620) | 3,286,752 | 5,614,241 |
| 2014 | | | | |
| At beginning of financial period | 2,466,090 | (1,254,310) | – | 1,211,780 |
| Net exchange differences on translation of financial statements of foreign subsidiaries | – | (223,838) | – | (223,838) |
| Fair value gain on revaluation of leasehold land and buildings | 1,507,019 | – | – | 1,507,019 |
| At end of financial period | 3,973,109 | (1,478,148) | – | 2,494,961 |
| Company | | | | |
| 2015 | | | | |
| Fair value of the warrants, representing at end of financial year | – | – | 3,286,752 | 3,286,752 |

Asset revaluation reserve mainly includes the cumulative net change, net of deferred tax effects, arising from revaluation of leasehold land and buildings.

Foreign currency translation reserve arises from the translation of financial statements of the foreign subsidiaries.

Warrant reserve relates to the fair value ascribed to warrants issued, net of issue expenses. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.07. The warrants will expire on 30 June 2017. As at 31 March 2015, the Company has outstanding warrants of 2,440,278,158.

Asset revaluation, foreign currency translation and warrant reserves are non-distributable.

16. REVENUE

| | Group | |
|-----------------------|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Sale of goods | 35,422,808 | 31,992,367 |
| Revenue from projects | 3,616,692 | 3,402,196 |
| Rental income | 2,215,917 | 3,272,569 |
| | 41,255,417 | 38,667,132 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

17. OTHER INCOME / (EXPENSE)

| | Group | |
|--|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Other income: | | |
| Interest income | 186,104 | 26,552 |
| Gain / (loss) on disposal of property, plant and equipment | 25,453 | (15,658) |
| Sale of scraps | 139,756 | 170,982 |
| Foreign exchange gain, net | 440,546 | 283,580 |
| Government grant * | 56,366 | 181,282 |
| Reversal of over accrual on quit rent and assessment | – | 277,883 |
| Reversal of impairment loss of trade receivables | 39,212 | – |
| Write back of long outstanding other payable | 47,641 | – |
| Others | 95,612 | 172,565 |
| | 1,030,690 | 1,097,186 |
| Other expense: | | |
| Impairment loss of trade and other receivables (Note 7) | (7,381,434) | – |

* Government grant received arose from the Productivity and Innovation Credit Scheme by the government of Singapore.

18. FINANCE COSTS

| | Group | |
|--|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Interest expenses on:- | | |
| - Finance leases | 8,892 | 8,164 |
| - Bankers' acceptance | 7,869 | 2,734 |
| - Foreign currency loan against import | 33,596 | 736 |
| - Term loans | 261,239 | – |
| - Trust receipts | – | 36,187 |
| - Shares with preference rights * | 522,382 | 670,004 |
| - Others | 25,970 | 33,035 |
| | 859,948 | 750,860 |

* This pertains to preference dividend paid to the holder of the Class A shares of a subsidiary, which is classified as a financial liability (Note 11(iii)).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

19. PERSONNEL EXPENSES

| | Group | |
|--|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Personnel expenses (including directors)*: | | |
| - Salaries, wages and bonuses | 10,231,436 | 9,813,125 |
| - Defined contributions plan expenses | 276,374 | 323,897 |
| | 10,507,810 | 10,137,022 |

* Included in the personnel expenses, \$6,030,850 (2014: \$5,827,143) is allocated to cost of sale and \$4,476,960 (2014: \$4,309,879) is allocated to administrative expenses.

20. (LOSS) / PROFIT BEFORE INCOME TAX

In addition to those information as disclosed elsewhere in the financial statements, these items are also determined after charging / (crediting) the following:

| | Group | |
|--|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Audit fees: | | |
| - auditors of the Company | 87,000 | 75,000 |
| - other auditors | 58,465 | 55,130 |
| Impairment loss of trade and other receivables | 7,381,434 | – |
| Depreciation of property, plant and equipment | 794,251 | 638,788 |
| Directors' fees: | | |
| - Directors of the company | 195,000 | 135,000 |
| - Directors of a subsidiary | 29,676 | 37,942 |
| Directors' remuneration: | | |
| - Directors of the company | 393,750 | 451,195 |
| - Directors of subsidiaries | 469,432 | 581,159 |
| Expected losses recognised on uncompleted construction contracts | – | 43,113 |
| Foreign exchange gain – net | (440,546) | (283,580) |
| (Gain) / loss on disposal of property, plant and equipment | (25,453) | 15,658 |
| Interest expenses | 859,948 | 750,860 |
| Interest income | (186,104) | (26,552) |
| Operating lease expenses | 2,339,442 | 3,206,731 |
| Personnel expenses * (Note 19) | 10,507,810 | 10,137,022 |

* This includes directors' remuneration as disclosed in this note and the amount shown as key management personnel compensation in Note 25.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

21. INCOME TAX EXPENSE

(a) Major components of income tax expense are as follows:

| | Group | |
|---|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Current tax | | |
| - Current year / period | 302,966 | 323,558 |
| - Under / (Over) provision in prior years | 2,645 | (36,448) |
| | 305,611 | 287,110 |
| Deferred tax | | |
| - Current year / period | - | (10,368) |
| - Over provision in prior years | (40,006) | (39,538) |
| | (40,006) | (49,906) |
| Income tax expense | 265,605 | 237,204 |

The tax reconciliation of tax expenses and the product of accounting (loss) / profit multiplied by the applicable rate is as follows:

| | Group | |
|---|---|---|
| | 1 April 2014 to 31 March 2015 \$ | 1 January 2013 to 31 March 2014 \$ |
| Accounting (loss) / profit before income tax | (6,050,662) | 408,859 |
| Tax at statutory rate of 17% (2014: 17%) | (1,028,612) | 69,506 |
| Effect of different tax rates in foreign jurisdictions | 284,082 | 344,720 |
| Tax effect on non-deductible expenses | 1,406,823 | 117,452 |
| Tax effect on non-taxable income | (888,588) | (719,793) |
| Deferred tax assets on temporary differences not recognised | 533,842 | 501,305 |
| Reversal of deferred tax assets on temporary differences not recognised in previous years | (4,581) | - |
| Under / (over) provision of current tax in prior years | 2,645 | (36,448) |
| Over provision of deferred tax in prior years | (40,006) | (39,538) |
| Income tax expense | 265,605 | 237,204 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

21. INCOME TAX EXPENSE (Continued)

- (a) The Company and certain subsidiaries have unabsorbed tax losses and capital allowance of approximately \$35,824,000 and \$663,000 (2014: \$32,851,000 and \$495,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation. The tax losses have no expiry date.

Deferred tax assets unutilised of approximately \$6,203,000 (2014: \$5,669,000) relating to the unabsorbed tax losses and unutilised capital allowance have not been recognised as it is not probable that future taxable profit will be available against when these unabsorbed tax losses and unabsorbed capital allowances can be utilised.

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subjected to an applicable tax rate of 17% (2014: 17%). Certain subsidiaries are in a tax loss position for both the financial year / period and hence they are not subjected to tax in the respective years.

Malaysia subsidiaries

Malaysia subsidiaries are subjected to an applicable tax rate of 25% (2014: 25%). One of its subsidiaries was in a tax loss position for the previous financial period and hence it was not subjected to tax.

Australia subsidiaries

Australia subsidiaries are subjected to an applicable tax rate of 30%. Both of the subsidiaries are in a tax loss position for the current financial year and hence they are not subjected to tax.

China subsidiary

China subsidiary is subjected to an applicable tax rate of 25% (2014: 25%). It is in a net loss position for the current financial year and hence it is not subjected to tax.

Hong Kong subsidiary

Hong Kong subsidiary is subjected to an applicable tax rate of 16.5% (2014: 16.5%). It is in a net loss position for the current financial year and hence it is not subjected to tax.

Vietnam subsidiary

Vietnam subsidiary is subjected to an applicable tax rate of 22%. It is in a net loss position for the current financial year and hence it is not subjected to tax.

- (b) The tax (charge) / credit relating to each component of other comprehensive (loss)/ income is as follows:

| | Before tax \$ | Tax charge \$ | After tax \$ |
|--|------------------|------------------|-----------------|
| 2015 | | | |
| - Currency translation differences arising from consolidation, representing other comprehensive loss | (167,472) | — | (167,472) |
| 2014 | | | |
| - Currency translation differences arising from consolidation | (223,838) | — | (223,838) |
| - Surplus on revaluation of leasehold land and buildings (Note 13) | 2,058,226 | (551,207) | 1,507,019 |
| Other comprehensive income | 1,834,388 | (551,207) | 1,283,181 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
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22. (LOSS) / EARNINGS PER SHARE

Basic and diluted (loss) / earnings per share is calculated by dividing the net (loss) / profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year / period. The calculation of (loss) / earnings per share is based on the following:

| | 1 April 2014 to 31 March 2015 | 1 January 2013 to 31 March 2014 |
|--|-------------------------------------|---------------------------------------|
| Basic and diluted (loss) / earnings per share | | |
| Net (loss) / profit attributable to equity holders of the Company (\$) | (6,316,267) | 171,655 |
| Number of shares | | |
| Weighted average number of ordinary shares outstanding for basic and diluted earnings per share - adjusted | 4,740,792,407 | 2,157,718,546 |
| Basic and diluted (loss) / earnings per share (cents) | (0.133) | 0.008 |

For the purposes of calculating diluted (loss) / earnings per share, (loss) / profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company had one type of dilutive potential ordinary shares which is the warrants.

Warrants have not been included in the calculation of diluted (loss) / earnings per share because they are anti-dilutive for current financial year and prior financial period. There is no dilutive effect arising from warrants as the exercise price of the warrants was higher than the Company's average share price during the financial year ended 31 March 2015.

As disclosed in Note 14, the Company has undertaken a one rights share with one free detachable warrant for every one existing ordinary share (2014: one-for-one rights issue) exercise during the financial year. For the purpose of calculating basic and diluted (loss) / earnings per share, the weighted average number of shares have reflected these changes as if the rights issue were effected for the entire current financial year and prior financial period presented.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

23. CONTINGENCIES

(i) Contingent liabilities

The Company, as the holding company, has given undertakings to provide financial support to certain subsidiaries to enable them to continue their operations in the next 12 months. However, no adjustment to the consolidated financial statements was required to recognise the financial guarantee liability due to the possibility of an outflow of resource is remote. The estimated amount of financial guarantee is disclosed in Note 27 (ii).

(ii) Contingent asset

As stated in the Share Sale Agreement on 20 August 2010, in the financial year ended 31 December 2011, with KPFB relating to Class A ordinary shares of KLWR, a contingent consideration has been agreed. Additional cash payments will be received up to a maximum of RM 2,000,000, equivalent to \$750,000 (2014: equivalent to \$800,000) if KLWR generates a certain amount of total profit for the year / period for the financial year / period ended / ending 31 March 2015 and 2016 ("Guaranteed profit") as extended by KPFB on 25 March 2014, which the Company has announced on 8 April 2014. Any shortfall from the guaranteed profit will be deducted from the contingent consideration of RM 2,000,000, equivalent to \$750,000 (2014: equivalent to \$800,000) based on an agreed formula. Should the shortfall determined as such be greater than RM 2,000,000, equivalent to \$750,000 (2014: equivalent to \$800,000), the Company is liable to compensate the same to KPFB.

As at 31 March 2015, based on the financial performance of KLWR and the secured book orders, the management concludes that it is probable that the Group will be able to achieve the guaranteed profit by FY 2015 and FY 2016. However, as the realisation of the contingent consideration of RM 2,000,000, equivalent to \$750,000 (2014: equivalent to \$800,000) is not virtually certain, the amount is disclosed as a contingent asset and not recognised in the financial statements for the current financial year / previous financial period.

24. COMMITMENTS

(i) Non-cancellable operating lease commitment

(a) Where the Group is a lessee

The Group leases certain staff hostel, offices, and warehouse from non-related parties under non-cancellable operating lease agreements. The future aggregate minimum leases payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Not later than one year | 2,284,925 | 2,288,174 |
| Later than one year and not later than five years | 1,160,362 | 1,920,640 |
| | 3,445,287 | 4,208,814 |

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

24. COMMITMENTS (Continued)

(i) Non-cancellable operating lease commitment (Continued)

(b) Where the Group is the lessor

The Group has entered leases on its investment property (2014: office premises). The future aggregate minimum leases payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables are as follows:

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Not later than one year | 1,380,830 | 1,664,117 |
| Later than one year and not later than five years | 6,328,804 | — |
| | 7,709,634 | 1,664,117 |

Generally, the Group non-cancellable leases are for lease term of 5 years (2014: 2 to 9 months).

(ii) Future capital expenditure

Capital expenditure contracted for as at 31 March 2015 but not recognised in the financial statement is as follows:

| | 2015 \$ | 2014 \$ |
|--------------------------------------|-------------------|----------------|
| In respect of : | | |
| - Acquisition of investment property | 11,944,080 | — |
| - Construction of buildings | 1,194,718 | — |
| - Purchase of plant and equipment | 1,533,989 | 137,600 |
| | 14,672,787 | 137,600 |

During the financial year ended 31 March 2015, the Group entered into the following:

- (a) an agreement to purchase a property in Melbourne, Australia for AUD12,520,000, equivalent to approximately \$13,271,200. A deposit of AUD1,252,000, equivalent to approximately \$1,327,120 has been paid to secured the property which is included in and taken up as trade and other receivables (Note 7);
- (b) an agreement to construct buildings for its subsidiary, Key Bay, for VND54,899,050,000, equivalent to approximately \$3,543,468. An advances of totalling VND36,389,254,599, equivalent to approximately \$2,348,750 has been paid to the contractor, which is included in and taken up as property, plant and equipment under the category of construction in progress (Note 3); and
- (c) several agreements make up of several purchase orders to purchase certain plant and equipment amounting to \$3,038,836. A prepayment of totalling \$1,504,847 has been paid for certain plant and equipment, which is included in and taken up as trade and other receivables (Note 7).

In the financial year ended 31 December 2012, the Group entered into an agreement to purchase computer software system for \$137,600. A prepayment of \$124,314 had been paid for the computer software system which was included in and taken up as trade and other receivables as at 31 March 2014.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

25. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

| | Group | |
|---|------------------|------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Advances / (Repayments) from directors | 101,142 | (2,323,022) |
| <u>Key management personnel compensation</u> | | |
| Directors of the Company | | |
| - Salaries and related costs | 384,000 | 439,595 |
| - Defined contributions plan expenses | 9,750 | 11,600 |
| - Directors' fees | 195,000 | 135,000 |
| Directors of subsidiaries | | |
| - Salaries and related costs | 436,540 | 519,160 |
| - Defined contributions plan expenses | 32,892 | 61,999 |
| - Directors' fees | 29,676 | 37,942 |
| Other key management personnel | | |
| - Salaries and related costs | 661,007 | 717,949 |
| - Defined contributions plan expenses | 56,180 | 67,596 |
| | 1,805,045 | 1,990,841 |
| Total key management personnel compensation : | | |
| - Salaries and related costs | 1,706,223 | 1,849,646 |
| - Defined contributions plan expenses | 98,822 | 141,195 |
| | 1,805,045 | 1,990,841 |

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

Outstanding balances as at 31 March 2015 and 31 March 2014 arising from advances from directors are disclosed in Note 11.

Notes to the Financial Statements

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26. SEGMENT INFORMATION

The Group has three (2014: three) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a quarterly basis.

The following summary describes the operation in each of the Group's reportable segments:

(1) *Investment*

This segment pertains to investment holding companies.

(2) *Door business*

This pertains to manufacture and distribution of doors, furniture and fittings, wood related products and supply and installation of doors and wood based flooring.

(3) *Property leasing business*

This pertains to rental of premises / property.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group's Chief Operating Officer. Unallocated costs represent mainly corporate expenses. Segment assets consist primarily of property, plant and equipment, investment property, available-for-sale financial assets, inventories, trade and other receivables, including gross amount due from customers for contract work and operating cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as income tax payable, deferred tax liabilities, shares with preferred rights and borrowings. Capital expenditure comprises additions to property, plant and equipment (Note 3).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

26. SEGMENT INFORMATION (Continued)

Business segments

| 2015 | Investment | Door business | Property leasing business | Adjustments and eliminations | Total |
|--|------------|---------------|---------------------------|------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Sales – external | – | 39,039,501 | 2,215,916 | – | 41,255,417 |
| Inter-segment sales | – | – | 30,000 | (30,000) | – |
| Total | – | 39,039,501 | 2,245,916 | (30,000) | 41,255,417 |
| Segment (loss) / profit | (582,968) | 4,013,707 | (1,268,508) | (1,002,201) | 1,160,030 |
| Other income | | | | | 1,030,690 |
| Finance costs | | | | | (859,948) |
| Other expense | | | | | (7,381,434) |
| Loss before income tax | | | | | (6,050,662) |
| Income tax expense | | | | | (265,605) |
| Loss for the financial year | | | | | (6,316,267) |
| Consolidated total assets | 91,757,360 | 38,232,336 | 48,584,364 | (70,235,722) | 108,338,338 |
| Segment liabilities | 651,038 | 11,209,494 | 31,848,064 | (39,248,245) | 4,460,351 |
| Unallocated liabilities | | | | | |
| - Deferred tax liabilities | | | | | 1,095,489 |
| - Income tax payable | | | | | 622,894 |
| - Borrowings | | | | | 20,255,992 |
| - Shares with preference rights | | | | | 5,565,000 |
| | | | | | 27,539,375 |
| Consolidated total liabilities | | | | | 31,999,726 |
| Other segment items | | | | | |
| Capital expenditure | – | 7,814,043 | 234,241 | – | 8,048,284 |
| Purchase of investment property | – | – | 27,584,498 | – | 27,584,498 |
| Depreciation of property, plant and equipment | 89,494 | 610,187 | 94,570 | – | 794,251 |
| Impairment loss of trade and other receivables | – | 181,434 | 7,200,000 | – | 7,381,434 |
| Reversal of impairment loss of trade receivables | – | – | (39,212) | – | (39,212) |
| Write back of long outstanding other payable | (47,641) | – | – | – | (47,641) |

Notes to the Financial Statements

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(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

26. SEGMENT INFORMATION (Continued)

Business segments (Continued)

| 2014 | Investment | Door business | Property leasing business | Adjustments and eliminations | Total |
|--|------------|---------------|---------------------------|------------------------------|------------|
| | \$ | \$ | \$ | \$ | \$ |
| Sales – external | – | 35,394,563 | 3,272,569 | – | 38,667,132 |
| Inter-segment sales | – | – | 135,000 | (135,000) | – |
| Total | – | 35,394,563 | 3,407,569 | (135,000) | 38,667,132 |
| Segment profit / (loss) | 2,219,765 | 2,406,807 | (822,047) | (3,741,992) | 62,533 |
| Other income | | | | | 1,097,186 |
| Finance costs | | | | | (750,860) |
| Profit before income tax | | | | | 408,859 |
| Income tax expense | | | | | (237,204) |
| Profit for the financial period | | | | | 171,655 |
| Consolidated total assets | 35,061,458 | 23,588,441 | 14,071,662 | (35,337,712) | 37,383,849 |
| Segment liabilities | 1,955,978 | 3,544,285 | 13,874,408 | (14,969,920) | 4,404,751 |
| Unallocated liabilities | | | | | |
| - Deferred tax liabilities | | | | | 1,167,689 |
| - Income tax payable | | | | | 360,858 |
| - Borrowings | | | | | 1,281,947 |
| - Shares with preference rights | | | | | 5,790,000 |
| | | | | | 8,600,494 |
| Consolidated total liabilities | | | | | 13,005,245 |
| Other segment items | | | | | |
| Capital expenditure | 245,000 | 6,024 | 997,259 | – | 1,248,283 |
| Depreciation of property, plant and equipment | 67,331 | 484,189 | 87,268 | – | 638,788 |
| Reversal of over accrual on quit rent and assessment | – | 277,883 | – | – | 277,883 |

Notes to the Financial Statements

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(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

26. SEGMENT INFORMATION (Continued)

Geographical segments

The Group's three business segments operate in following geographical areas:

Singapore/

Australia – the Company is headquartered in Singapore. The areas of operation mainly arise from support and installation of doors and wood based floorings, import and distribution of doors, locksets, iron mongeries, furniture and fittings, wood related products, rental of premises, investment property and investment holding.

Malaysia /

China /

Vietnam/

Hong Kong – the main activities are the manufacture and supply of wood based doors, mouldings and floorings.

| | Revenue ⁽ⁱ⁾ | | Non-current assets ⁽ⁱⁱ⁾ | |
|-----------|------------------------|-------------------|------------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Singapore | 5,369,539 | 7,041,795 | 5,136,556 | 432,993 |
| Malaysia | 13,960,593 | 22,275,360 | 8,694,933 | 8,918,437 |
| China | 44,272 | 136,667 | 1,098,342 | 1,224,036 |
| Hong Kong | 21,372,334 | 9,213,310 | – | – |
| Australia | 508,679 | – | 26,577,974 | – |
| Vietnam | – | – | 6,151,256 | – |
| | 41,255,417 | 38,667,132 | 47,659,061 | 10,575,466 |

⁽ⁱ⁾ The revenue is attributed to the above geographical areas based on the geographical locations of the Group's entities which generate the revenue.

⁽ⁱⁱ⁾ Non-current assets presented above excludes financial assets.

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is the Group's policy not to trade in derivative contracts.

(i) Market risk

(a) Foreign exchange risk

The Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions that are denominated in currencies other than the respective functional currencies of Group entities, primarily with respect to Singapore dollars, United States dollars, Malaysia Ringgit, Renminbi, Australian dollars and others. The Company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not have a policy to hedge its exposure to foreign exchange risk.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
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27. FINANCIAL INSTRUMENTS

(i) Market risk

(a) Foreign exchange risk

| Group 2015 | Singapore dollars | United States dollars | Malaysian Ringgit | Renminbi | Australian dollars | Others* | Total |
|--|----------------------|-----------------------------|----------------------|------------------|-----------------------|---------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | |
| Available-for-sale financial assets | 2,767 | – | – | – | – | – | 2,767 |
| Gross amount due from customers for contract work | 3,333,528 | – | – | – | – | – | 3,333,528 |
| Trade and other receivables | 13,112,048 | 2,024,610 | 164,906 | 355,463 | 1,327,120 | 29,048 | 17,013,195 |
| Cash and bank balances | 26,241,854 | 1,130,150 | 51,582 | 203,303 | 3,603,355 | 16,608 | 31,246,852 |
| Intra group receivables | 36,877,064 | – | 834,000 | – | 1,481,869 | – | 39,192,933 |
| | 79,567,261 | 3,154,760 | 1,050,488 | 558,766 | 6,412,344 | 45,656 | 90,789,275 |
| Financial liabilities | | | | | | | |
| Trade and other payables | 1,377,005 | 205,800 | 1,006,626 | 1,410,087 | 57,030 | 15,203 | 4,071,751 |
| Shares with preference rights | – | – | 5,565,000 | – | – | – | 5,565,000 |
| Borrowings | 3,700,948 | – | 1,545,444 | – | 15,009,600 | – | 20,255,992 |
| Intra group payables | 36,877,064 | – | 834,000 | – | 1,481,869 | – | 39,192,933 |
| | 41,955,017 | 205,800 | 8,951,070 | 1,410,087 | 16,548,499 | 15,203 | 69,085,676 |
| Net financial assets / (liabilities) | 37,612,244 | 2,948,960 | (7,900,582) | (851,321) | (10,136,155) | 30,453 | 21,703,599 |
| Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies | (27,422,356) | (2,296,152) | 1,501,584 | 851,321 | 8,771,338 | – | (18,594,265) |
| Foreign currency exposure | 10,189,888 | 652,808 | (6,398,998) | – | (1,364,817) | 30,453 | 3,109,334 |

* Others are denominated in Euro Dollars and Great British Pounds

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

| Group 2014 | Singapore dollars | United States dollars | Malaysian Ringgit | Renminbi | Others* | Total |
|--|----------------------|-----------------------------|----------------------|-------------------|----------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | |
| Available-for-sale financial assets | 2,767 | – | – | – | – | 2,767 |
| Gross amount due from customers for contract work | 1,543,676 | – | – | – | – | 1,543,676 |
| Trade and other receivables | 4,869,570 | 1,137,917 | 1,492,973 | 209,955 | 76,037 | 7,786,452 |
| Cash and bank balances | 7,649,356 | 2,888,780 | 227,753 | – | 58,403 | 10,824,292 |
| Intra group receivables | 13,185,775 | 44,169 | 25,374,041 | 8,998,469 | – | 47,602,454 |
| | <u>27,251,144</u> | <u>4,070,866</u> | <u>27,094,767</u> | <u>9,208,424</u> | <u>134,440</u> | <u>67,759,641</u> |
| Financial liabilities | | | | | | |
| Trade and other payables | 2,069,963 | 275,830 | 939,041 | 1,119,917 | – | 4,404,751 |
| Shares with preference rights | – | – | 5,790,000 | – | – | 5,790,000 |
| Borrowings | 127,117 | 713,247 | 441,583 | – | – | 1,281,947 |
| Intra group payables | 13,185,775 | 44,169 | 25,374,041 | 8,998,469 | – | 47,602,454 |
| | <u>15,382,855</u> | <u>1,033,246</u> | <u>32,544,665</u> | <u>10,118,386</u> | <u>–</u> | <u>59,079,152</u> |
| Net financial assets / (liabilities) | 11,868,289 | 3,037,620 | (5,449,898) | (909,962) | 134,440 | 8,680,489 |
| Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies | <u>(12,576,966)</u> | <u>44,169</u> | <u>4,790,353</u> | <u>2,315,825</u> | <u>–</u> | <u>(5,426,619)</u> |
| Foreign currency exposure | <u>(708,677)</u> | <u>3,081,789</u> | <u>(659,545)</u> | <u>1,405,863</u> | <u>134,440</u> | <u>3,253,870</u> |

* Others are denominated in Euro Dollars and Great British Pounds

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

| Company 2015 | Singapore dollars | United States dollars | Malaysian Ringgit | Australian dollars | Total |
|--|----------------------|-----------------------------|----------------------|-----------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Long term loan and receivables at amortised cost (Note 5) | – | – | 5,440,710 | – | 5,440,710 |
| Trade and other receivables | 22,160,331 | 1,339 | 834,000 | 6,720,853 | 29,716,523 |
| Cash and bank balances | 22,431,996 | 23,864 | – | 119,081 | 22,574,941 |
| | 44,592,327 | 25,203 | 6,274,710 | 6,839,934 | 57,732,174 |
| Financial liabilities | | | | | |
| Trade and other payables | 651,038 | – | – | – | 651,038 |
| Shares with preference rights | – | – | 5,565,000 | – | 5,565,000 |
| Borrowings | 10,428 | – | – | – | 10,428 |
| | 661,466 | – | 5,565,000 | – | 6,226,466 |
| Net financial assets | 43,930,861 | 25,203 | 709,710 | 6,839,934 | 51,505,708 |
| Less: Net financial assets denominated in the Company's functional currency | (43,930,861) | – | – | – | (43,930,861) |
| Foreign currency exposure | – | 25,203 | 709,710 | 6,839,934 | 7,574,847 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

| Company 2014 | Singapore dollars | United States dollars | Malaysian Ringgit | Total |
|--|----------------------|-----------------------------|----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Long term loan and receivables at amortised cost (Note 5) | – | – | 5,440,710 | 5,440,710 |
| Trade and other receivables | 5,315,678 | – | 834,000 | 6,149,678 |
| Cash and bank balances | 33,336 | 7,317 | – | 40,653 |
| | <u>5,349,014</u> | <u>7,317</u> | <u>6,274,710</u> | <u>11,631,041</u> |
| Financial liabilities | | | | |
| Trade and other payables | 1,901,210 | – | 54,768 | 1,955,978 |
| Shares with preference rights | – | – | 5,790,000 | 5,790,000 |
| Borrowings | 33,340 | – | – | 33,340 |
| | <u>1,934,550</u> | <u>–</u> | <u>5,844,768</u> | <u>7,779,318</u> |
| Net financial assets | 3,414,464 | 7,317 | 429,942 | 3,851,723 |
| Less: Net financial assets denominated in the Company's functional currency | <u>(3,414,464)</u> | <u>–</u> | <u>–</u> | <u>(3,414,464)</u> |
| Foreign currency exposure | <u>–</u> | <u>7,317</u> | <u>429,942</u> | <u>437,259</u> |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% (2014: 10%) increase and decrease in the Singapore dollars against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the financial year / period end for a 10% (2014: 10%) change in foreign currency rates.

If the foreign currencies strengthen by 10% (2014: 10%) against the relevant functional currencies, with all other variables held constant profit or loss and other equity will increase / (decrease) by:

| | Singapore dollars | United States dollars | Malaysian Ringgit | Renminbi | Australian dollars | Others |
|-----------------------------|-------------------|-----------------------|-------------------|----------|--------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| Group | | | | | | |
| Loss for the financial year | 845,761 | 54,183 | (531,117) | – | (113,280) | 2,528 |
| Company | | | | | | |
| Loss for the financial year | – | 2,092 | 58,906 | – | 567,715 | – |

| | Singapore dollars | United States dollars | Malaysian Ringgit | Renminbi | Others |
|---------------------------------|-------------------|-----------------------|-------------------|------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2014 | | | | | |
| Group | | | | | |
| Profit for the financial period | 58,820 | (255,788) | 54,742 | (116,687) | (11,159) |
| Company | | | | | |
| Loss for the financial period | – | 607 | 35,685 | – | – |

A 10% (2014: 10%) weakening of Singapore dollars against the respective functional currencies at the balance sheet date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in other countries mainly Malaysia, Australia, Vietnam and China. The Group's net investments in Malaysia, Australia, Vietnam and China are not hedged as currency positions in Malaysian Ringgit, Australian dollars and Renminbi are considered to be long-term in nature.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings (interest bearing) and advances from directors (interest-free). The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 March 2015, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Summary quantitative data of the group's interest-bearing financial liabilities can be found in part (ii) of this Note.

Interest in financial instruments subject to floating interest rates is repriced regularly. The other financial instruments of the Group and of the Company that are not included in the part (ii) are not subject to interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 (2014:100) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Interest risk sensitivity

If the interest rates had been 100 (2014:100) basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 31 March 2015 would increase/decrease by \$137,121 (2014: \$9,585). This was mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

(ii) Liquidity risk

The Group and the Company monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors the Group's and the Company's liquidity reserve, comprising cash and cash equivalents (Note 10) on the basis of expected cash flows.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

| Group | Weighted average interest rate | On demand or not later than 1 year | Later than 1 year and not later than 5 years |
|---|--------------------------------|------------------------------------|--|
| | % | \$ | \$ |
| 2015 | | | |
| Trade and other payables | – | 4,209,631 | – |
| Shares with preference rights (Note 11) * | – | 499,816 | 6,064,816 |
| Interest bearing borrowings | | | |
| - Banker's acceptance (Floating rates) | 5.07 | 23,250 | – |
| - Foreign currency loan (Floating rates) | 2.70 | 1,487,773 | – |
| - Term loan I (Floating rates) | 1.36 – 4.25 | 118,602 | 3,445,148 |
| - Term loan II (Floating rates) | 4.57 | – | 18,767,424 |
| Finance lease obligations (Fixed rates) | 2.28 – 3.10 | 88,558 | 112,795 |
| | | 6,427,630 | 28,390,183 |
| 2014 | | | |
| Trade and other payables | – | 4,404,751 | – |
| Shares with preference rights (Note 11) * | – | 514,134 | 6,818,956 |
| Interest bearing borrowings | | | |
| - Banker's acceptance (Floating rates) | 4.75 | 441,584 | – |
| - Foreign currency loan (Floating rates) | 2.24 | 713,247 | – |
| Finance lease obligations (Fixed rates) | 2.28 – 2.88 | 66,968 | 74,748 |
| | | 6,140,684 | 6,893,704 |

* Inclusive of cumulative preference dividend of RM 0.1024 equivalent to \$0.0384 (2014: \$0.0395), per Class A share of KLWR for the financial year ended 2015 until 2016 (2014: 2014 until 2016) (Note 11) on the assumption that KPFB does not exercise the Put Option and continues to hold Class A shares until the Put Option expires.

| Company | Weighted average interest rate | On demand or not later than 1 year | Later than 1 year and not later than 5 years |
|--|--------------------------------|------------------------------------|--|
| | % | \$ | \$ |
| 2015 | | | |
| Trade and other payables | – | 651,038 | – |
| Shares with preference rights (Note 11) ** | – | – | 5,565,000 |
| Finance lease obligations (Fixed rates) | 2.28 | 11,742 | – |
| Financial guarantees | – | 1,511,023 | – |
| | | 2,173,803 | 5,565,000 |

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

| Company | Weighted average interest rate | On demand or not later than 1 year | Later than 1 year and not later than 5 years |
|--|--------------------------------------|--|---|
| | % | \$ | \$ |
| 2014 | | | |
| Trade and other payables | – | 1,955,978 | – |
| Shares with preference rights (Note 11) ** | – | – | 5,790,000 |
| Finance lease obligations (Fixed rates) | 2.28 | 24,564 | 14,929 |
| Financial guarantees | – | 1,154,831 | – |
| | | <u>3,135,373</u> | <u>5,804,929</u> |

** This amount represents the proceeds or consideration received for the disposal of the Class A shares of KLWR (Note 11), which was equivalent to RM15 million in 2010. Management is of the view that the maximum contractual cash flows cannot be reasonably determined as at the balance sheet date.

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| Company | On demand or not later than 1 year \$ |
|----------------------|--|
| 2015 | |
| Financial guarantees | <u>1,511,023</u> |
| 2014 | |
| Financial guarantees | <u>1,154,831</u> |

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial years ended 31 March 2015 and 31 March 2014.

The Company has also given undertakings to continue providing financial support to certain subsidiaries as and when required to allow them to meet their obligations.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Exposure to the credit risk is monitored on an ongoing basis.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

At the balance sheet date:

- \$2,352,090 (2014: \$2,186,793) of the Group's trade receivables were due from 3 (2014: 3) major customers in Door business segment, mainly building material suppliers in United Kingdom. Approximately, \$14,119,000, \$7,795,000 and \$5,899,000 (2014: \$6,302,000, \$12,875,000 and \$7,893,000), representing 34%, 19%, and 14% (2014: 16%, 33% and 20%) respectively of the Group's revenue are generated from these 3 customers during the financial year.
- \$2,564,881 (2014: \$1,372,384) of the Group's gross amount due from customers for contract work were due from 3 (2014: 2) major customers in Door business segment, mainly are the turnkey contractors of the residential projects in Singapore.
- \$1,327,120 and \$2,327,592 (2014: \$2,327,592) of the Group's deposits were related to a deposit paid to a third party vendor to secure the purchase of a property in Melbourne, Australia during the financial year and 1 (2014: 1) lessor of a subsidiary's office premise respectively that in aggregate representing 92% (2014: 85%) of total deposits (Note 7).
- the Group's and Company's other receivables amounting \$1,178,958 and nil (2014: \$1,602,186 and \$307,728) respectively were amounts due from its former subsidiaries (Note 7).
- \$9,000,000, after making an allowance for impairment loss of \$7,200,000 was related to commitment fees paid by the Group to the counter parties of the term sheets which the Group entered into during the financial year (Note 7). The balance of \$9,000,000 was subsequently recovered by the Group as at the date of this report.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit term granted to trade receivables range from 30 to 90 days (2014: 30 to 90 days) term. No interest is charged on the trade receivables balances.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Cash and bank balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheets are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment. The age analysis of trade receivables is as follows:

| | Group | | Company | |
|---|------------------|-----------|------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Not past due and not impaired | 2,206,229 | 678,851 | – | 10,575 |
| Past due but not impaired | | | | |
| - Past due 0 to 3 months | 91,132 | 2,030,613 | – | – |
| - Past due 3 to 6 months | 16,550 | 120,354 | 1,339 | – |
| - Past due over 6 months | 214,301 | 127,428 | – | – |
| | 321,983 | 2,278,395 | 1,339 | – |
| Past due and impaired trade receivables | 369,685 | 227,463 | 299,529 | 299,529 |
| Less: Allowance for impairment loss | (369,685) | (227,463) | (299,529) | (299,529) |
| | 2,528,212 | 2,957,246 | 1,339 | 10,575 |

The movement in allowance for impairment loss is shown in Note 7.

Trade receivables that are individually determined to be impaired at the balance sheet related to debtors that are in financial difficulties and have defaulted on payment as well as by reference to past default experience. Included in the Group's trade receivables balance are debtors with total carrying amount of \$321,983 (2014: \$2,278,395), which is past due but not impaired as there has not been a significant change in credit quality and the amount is still considered recoverable.

The Group's and the Company's trade receivables of \$2,206,229 (2014: \$678,851) and nil (2014: \$10,575) respectively that are neither past due and not impaired are with creditworthy debtors with good payment record with the Group and the Company. These balances are deemed to be recoverable.

As at balance sheet date, the Company provided an impairment allowance of an aggregate amount of \$8,339,528 (2014: \$8,339,528) on advances to its subsidiaries (trade and non-trade) as disclosed in Note 7. These pertain to subsidiaries which are incurring losses and deemed financially unable to repay.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

Financial instruments as at balance sheet date are as follows:

| | Group | | Company | |
|---|-------------------|------------|-------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Available-for-sale financial assets | 2,767 | 2,767 | – | – |
| Loans and receivables (including cash and bank) | 90,786,508 | 20,154,420 | 57,732,174 | 11,631,041 |
| | 90,789,275 | 20,157,187 | 57,732,174 | 11,631,041 |
| Financial liabilities at amortised cost | 69,085,676 | 11,476,698 | 6,226,466 | 7,779,318 |

Capital risk management policies and objectives

The Group's policy is to maintain adequate capital based to ensure continuity as a going concern and maintain an optimal capital structure for expansion plan of the group. The Group funds its operations and growth through a mix of equity and debts by maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

Management monitors capital based on gearing ratio to ensure compliance with all borrowing covenants.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payable less cash and cash equivalents. Total capital is calculated as equity plus net debt.

Based on the financial information gathered:

| | Group | | Company | |
|-------------------------------|---------------------|--------------|---------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Total borrowings and payables | 30,030,623 | 11,476,698 | 6,226,466 | 7,779,318 |
| Cash and cash equivalents | (31,246,852) | (10,803,453) | (22,574,941) | (40,653) |
| Net (surplus) / debt | (1,216,229) | 673,245 | (16,348,475) | 7,738,665 |
| Total equity | 76,338,612 | 24,378,604 | 85,530,894 | 27,282,140 |
| Total capital | 75,122,383 | 25,051,849 | 69,182,419 | 35,020,805 |
| Gearing ratio | N.M | 0.03 | N.M | 0.22 |

N.M – Not meaningful

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

27. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. FAIR VALUES OF ASSETS AND LIABILITIES

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial year/period ended 31 March 2015 and 31 March 2014.

The following table shows an analysis of financial instruments carried at fair value (recurring measurements) by level of fair value hierarchy as at 31 March 2015 and 31 March 2014:

| | Group | | | |
|----------------------------------|--|---|--|------------|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | \$ | \$ | \$ | \$ |
| 2015 | | | | |
| Non-financial assets - recurring | | | | |
| Leasehold land and buildings | – | – | 8,475,000 ⁽¹⁾ | 8,475,000 |
| Investment property | – | – | 26,577,974 ⁽²⁾ | 26,577,974 |
| 2014 | | | | |
| Non-financial assets - recurring | | | | |
| Leasehold land and buildings | – | – | 8,723,600 ⁽¹⁾ | 8,723,600 |

⁽¹⁾ Leasehold land and buildings is carried at fair value of RM22,600,000 equivalent to approximately \$8,475,000 (2014: equivalent to approximately \$8,723,600)

⁽²⁾ Investment property is carried at fair value of AUD25,073,560 equivalent to approximately \$26,577,974.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

28. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

The following table presents the information about fair value measurement using significant unobservable inputs:

| Description | Fair Value | Valuation Techniques | Unobservable Inputs | Range |
|-------------------------------|------------|------------------------------|--|-------------------------------------|
| | \$ | | | |
| 2015 | | | | |
| Leasehold land and buildings: | | | | |
| – Factory 1 | 4,237,500 | Market comparison approach | Transacted prices for similar properties * | MYR8.60 to MYR14.50 p.s.f *** |
| – Factory 2 | 4,237,500 | Market comparison approach | Transacted prices for similar properties * | MYR8.60 to MYR14.50 p.s.f *** |
| Investment property | 26,577,974 | Income capitalisation method | Yield * | AUD 306 to AUD 382 p.s.m.p.a ** |
| 2014 | | | | |
| Leasehold land and buildings: | | | | |
| – Factory 1 | 4,361,800 | Market comparison approach | Transacted prices for similar properties * | MYR8.60 to MYR14.50 p.s.f *** |
| – Factory 2 | 4,361,800 | Market comparison approach | Transacted prices for similar properties * | MYR8.60 to MYR14.50 per square feet |

* Adjustments are made for any difference in the nature, location or conditions of the specific property.

** Per square metre per annum

*** Per square feet

Management considers that changing one or more of the significant unobservable inputs used to other reasonably possible alternative assumptions would not result in a significant change in the estimate fair value.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities reported on the balance sheet are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rate on or near the balance sheet date.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

28. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

As at balance sheet date, the carrying amounts of financial assets and financial liabilities that is not carried at fair value a reasonable approximation of their fair value:

| | Note | Carrying amounts | | Fair values | |
|------------------------------------|------|------------------|-----------|-------------|----------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Group | | | | | |
| Financial assets: | | | | | |
| - Other receivables | 7 | — | 456,512 | — | 430,672* |
| Financial liabilities: | | | | | |
| - Obligations under finance leases | 12 | 100,116 | 67,336 | 94,156 | 63,386 |
| - Share with preference rights | 11 | 5,565,000 | 5,790,000 | # | # |

* The fair value is determined by reference to the market interest rate by reputable financial institutions and is discounted to present value.

| | Note | Carrying amounts | | Fair values | |
|------------------------------------|------|------------------|-----------|-------------|--------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Company | | | | | |
| Financial liabilities: | | | | | |
| - Obligations under finance leases | 12 | – | 12,914 | – | 11,465 |
| - Share with preference rights | 11 | 5,565,000 | 5,790,000 | # | # |

The fair values of obligations under finance lease are determined from a discounted cash flow analysis, using a discount rate based upon the borrowing rates which the directors expect would be available to the Group and Company at the balance sheet date. The interest rates used to discount estimated cash flows ranges for the Group's and Company's are 2.28% to 3.10% (2014: 2.29% to 2.88%) and 2.28% (2014: 2.28%) per annum respectively.

Fair value of the shares with preference rights cannot be reliably estimated as the shares are unquoted shares with preference rights and put option attached, and there is no comparable quoted price in an active market for an identical asset. In addition, the timing of the cash outflow in the event that the irrevocable put option was exercised by the counterparty cannot be reliably estimated at the balance sheet date.

29. COMPARATIVES

On 26 June 2013, the Group and the Company changed its financial year end from 31 December to 31 March. Thus the financial statements of the Group for prior financial period ended 31 March 2014 was for a period of 15 months from 1 January 2013 to 31 March 2014.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015
(AMOUNTS IN SINGAPORE DOLLARS ("S\$"))

30. SUBSEQUENT EVENTS

As disclosed in Note 7, the Group entered into 3 term sheets during the year relating to property development or hotel acquisition, and paid a total amount of \$16.2 million as commitment fees. On 27 May 2015, the Group made an announcement that these term sheets and the respective payments were made without proper authorisation of the Board of Directors, and that the Audit Committee will undertake a review into the matter.

The Board of Directors have taken necessary actions to recover the commitment fees, and as at the date of the announcement, \$7.0 million owing from the Zhangye counterparty relating to the Zhangye Property Term Sheet (Note 7(2)) has remained outstanding.

The Group has entered into another Term Sheet with Zhangye counterparty on 25 May 2015, which sets out certain key indicative terms of a potential transaction proposed to be introduced by the Zhangye counterparty and its director and shareholder to the Company (collectively the "Parties"). The proposal relates to a proposed joint venture in a property development project in Vietnam between the Group and two companies incorporated in Vietnam ("Vietnam Term Sheet").

By entering into the Vietnam Term Sheet, it was agreed amongst the Parties that the outstanding commitment fee amounting to \$7.0 million owing by the Zhangye counterparty to the Group under the Zhangye Property Term Sheet will be paid into an escrow account by 25 August 2015, which will serve as the commitment fee paid by the Company under the Vietnam Term Sheet. The said amount will be released from the escrow account to the Company by 25 November 2015 in the event that no definitive agreement is entered into by the Group by then, relating to the Vietnam Term Sheet or from any other transactions so introduced by the Zhangye counterparty or its director and shareholder. The director and shareholder of the Zhangye counterparty has personally undertaken to fulfil the payment obligations under the above Term Sheets.

Further on 26 June 2015, the Group announced that the management has reviewed and decided to make a allowance for impairment loss of \$7.4 million against the gross receivable of \$16.2 million in the financial year ended 31 March 2015 merely on the grounds of prudence and conservatism.

On 26 May 2015, 27 May 2015 and 1 July 2015 respectively, the Group had managed to recover a total of \$9.0 million. Accordingly, the remaining outstanding balance of \$7.2 million was fully provided for by the Group on the basis as stated above.

Size of Shareholdings

AS AT 18 JUNE 2015

| Size of Shareholdings | No. of Shareholders | Percentage | No. of Shares Held | Percentage |
|-----------------------|---------------------|------------|--------------------|------------|
| 1 – 99 | 85 | 2.51% | 1,122 | 0.00% |
| 100 – 999 | 107 | 3.16% | 98,324 | 0.00% |
| 1,000 – 10,000 | 479 | 14.16% | 2,958,309 | 0.05% |
| 10,001 – 1,000,000 | 2,279 | 67.39% | 551,272,004 | 10.25% |
| 1,000,001 and above | 432 | 12.78% | 4,826,226,557 | 89.70% |
| | 3,382 | 100% | 5,380,556,316 | 100% |

Number of shares : 5,380,556,316
 Class of shares : ordinary shares
 Voting rights : one vote per share

Based on information available to the Company as at 18 June 2015, approximately 72.32% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 18 JUNE 2015

| S/No. | Name | Shares | Percentage |
|-------|---------------------------------------|---------------|------------|
| 1 | LEE BOON TECK | 980,428,000 | 18.22 |
| 2 | UOB KAY HIAN PTE LTD | 903,885,000 | 16.80 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 124,535,000 | 2.31 |
| 4 | MAYBANK KIM ENG SECURITIES PTE LTD | 102,240,300 | 1.90 |
| 5 | BANK OF SINGAPORE NOMINEES PTE LTD | 84,921,000 | 1.58 |
| 6 | KOH KOW TEE MICHAEL | 77,289,000 | 1.44 |
| 7 | MAYBANK NOMINEES (SINGAPORE) PTE LTD | 70,248,200 | 1.31 |
| 8 | OCBC SECURITIES PRIVATE LTD | 55,860,900 | 1.04 |
| 9 | TAN MENG CHIANG | 55,205,000 | 1.03 |
| 10 | LEE EE @ LEE ENG | 52,676,000 | 0.98 |
| 11 | DBS NOMINEES PTE LTD | 49,198,300 | 0.91 |
| 12 | TAN POH GEOK | 48,000,000 | 0.89 |
| 13 | CIMB SEC (SINGAPORE) PTE LTD | 44,896,002 | 0.83 |
| 14 | RAFFLES NOMINEES (PTE) LTD | 44,536,200 | 0.83 |
| 15 | LAU SONG CHIN | 39,948,000 | 0.74 |
| 16 | PHILLIP SECURITIES PTE LTD | 35,095,727 | 0.65 |
| 17 | CHEN MIN I OR CHEN CHIH-YUAN | 35,000,000 | 0.65 |
| 18 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 34,953,200 | 0.65 |
| 19 | QUEK CHEK LAN | 34,758,000 | 0.65 |
| 20 | TAN SOO CHONG | 33,000,000 | 0.61 |
| | | 2,906,673,829 | 54.02 |

SUBSTANTIAL SHAREHOLDERS' INTERESTS

| Name of Shareholders | Direct Interest No. of Shares (%) | Indirect Interest No. of Shares (%) | Total Interest No. of Shares (%) |
|--------------------------|--------------------------------------|--|-------------------------------------|
| Pengiran Muda Abdul Qawi | Nil | 500,000,000 [#] 9.29% | 500,000,000 [#] 9.29% |
| Lee Boon Teck | 980,428,000 18.22% | 3,414,000* 0.06% | 983,842,000 18.28% |

[#] Deemed Interest registered under UOB Kay Hian Pte Ltd.

* Deemed Interest registered under DBS Nominees Pte Ltd.

Summary of Warrant Holdings By Size

AS AT 18 JUNE 2015

| Size of Warrant Holdings | No. of Warrant Holders | % of Warrant Holders | No. of Warrants | % of Warrant Holdings |
|--------------------------|------------------------|----------------------|-----------------|-----------------------|
| 1 to 99 | 38 | 2.89 | 259 | 0.00 |
| 100 to 1,000 | 5 | 0.38 | 3,293 | 0.00 |
| 1,001 to 10,000 | 54 | 4.11 | 342,091 | 0.02 |
| 10,001 to 1,000,000 | 1,010 | 76.80 | 236,539,039 | 9.69 |
| 1,000,001 AND ABOVE | 208 | 15.82 | 2,203,393,476 | 90.29 |
| TOTAL | 1,315 | 100 | 2,440,278,158 | 100 |

TOP 20 WARRANT HOLDERS AS AT 18 JUNE 2015

| No. | Name of Warrant Holders | No. of Warrants | % |
|-----|--|-----------------|-------|
| 1 | UOB KAY HIAN PTE LTD | 368,763,000 | 15.11 |
| 2 | LEE BOON TECK | 350,000,000 | 14.34 |
| 3 | LEE PENG SOON | 83,405,000 | 3.42 |
| 4 | NG GUAN CHYE | 55,060,000 | 2.26 |
| 5 | HO WEI CHYI (HE WEIQI) | 53,797,000 | 2.20 |
| 6 | CITIBANK NOMINEES SINGAPORE PTE LTD | 47,806,000 | 1.96 |
| 7 | OH HOCK HAI ALVIN | 47,500,000 | 1.95 |
| 8 | MAYBANK KIM ENG SECURITIES PTE LTD | 45,844,000 | 1.88 |
| 9 | LAU SONG CHIN | 39,918,000 | 1.64 |
| 10 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 39,807,400 | 1.63 |
| 11 | GOH WANG TAI | 38,788,000 | 1.59 |
| 12 | BAY KIM TEE | 37,925,592 | 1.55 |
| 13 | CHEN SER SHEE @ CHAN CHEE CHIONG | 37,180,000 | 1.52 |
| 14 | CHAN AH NUI @ CHAN CHEE FOOK | 33,310,000 | 1.37 |
| 15 | KOH KOW TEE MICHAEL | 30,000,000 | 1.23 |
| 16 | CIMB SECURITIES (SINGAPORE) PTE LTD | 29,889,001 | 1.22 |
| 17 | TAN MENG CHIANG | 28,110,000 | 1.15 |
| 18 | DOMINIC JUDE CHRISTIAN PETERS | 27,825,000 | 1.14 |
| 19 | PATRICIA TAN POH GEK (PATRICIA CHEN BAOYU) | 25,001,000 | 1.02 |
| 20 | PHILLIP SECURITIES PTE LTD | 23,605,019 | 0.97 |
| | TOTAL | 1,443,534,012 | 59.15 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **KLW HOLDINGS LIMITED** will be held at 190 Macpherson Road #03-02 Wisma Gulab Building Singapore 348548 on 29 July 2015 at 10am to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company and the Group for the financial year ended 31 March 2015 together with the Auditors' Report thereon. **[Resolution 1]**
2. To approve the payment of Directors' Fees of S\$195,000/- for the financial year ended 31 March 2015. [2014: S\$135,000/-]. **[Resolution 2]**
3. To re-elect Mr Lee Boon Teck who is retiring pursuant to Article 109 of the Company's Articles of Association. **[Resolution 3]**
[See Explanatory Note]
4. To re-elect Mr Teo Hin Guan who is retiring pursuant to Article 109 of the Company's Articles of Association. **[Resolution 4]**

Mr Teo Hin Guan is an Independent Director and will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and member of both the Audit and Nominating Committee. Mr Teo Hin Guan will be considered independent pursuant to Rule 704(7) of the Catalist Rules.
[See Explanatory Note]
5. To re-elect Pengiran Muda Abdul Qawi who is retiring pursuant to Article 119 of the Company's Articles of Association. **[Resolution 5]**

Pengiran Muda Abdul Qawi is a Non-Executive Director and will, upon re-election as a Director of the Company, remain as the Chairman of the Board. Pengiran Muda Abdul Qawi is considered a non-independent director.
[See Explanatory Note]
6. To re-appoint Messrs Crowe Horwath First Trust LLP as auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **[Resolution 6]**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following **Ordinary Resolution**, with or without any modifications:

8. Authority to issue shares

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

Notice of Annual General Meeting

- (ii) make or grant offers, agreements or options or other instruments convertible into shares (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,
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, 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; and

provided that:-

- (A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100 per cent (100%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below);
- (B) (subject to such manner of calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (A) above, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for :-
 - a. new shares arising from the conversion or exercise of any convertible securities;
 - b. new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the resolution approving this Resolution provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - c. any subsequent bonus issue, consolidation or subdivision of shares;
- (C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and

Notice of Annual General Meeting

- (D) and unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall 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."

[Resolution 7]

[See Explanatory Note]

BY ORDER OF THE BOARD

JENNIFER LEE SIEW JEE

Company Secretary

Singapore, 13 July 2015

Notes:

- (1) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- (2) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any other named proxy as alternate(s) to the first named.
- (3) Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
- (4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Kaki Bukit Industrial Terrace Singapore 416119 not later than 48 hours before the time appointed for the Meeting.
- (5) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- (6) A corporation which 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.

Explanatory Note:

The Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, 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 general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company.

The Resolution 3, 4 and 5 above are to re-elect Mr Lee Boon Teck, Mr Teo Hin Guan and Pengiran Muda Abdul Qawi as Directors of the Company under the articles of association of the Company. Key information on Mr Lee Boon Teck, Mr Teo Hin Guan and Pengiran Muda Abdul Qawi is found on page 10 of the annual report. There are no material relationship between those three directors and the other Directors of the Company.

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

Name: Ong Hwee Li, Registered Professional
Address: 1 Robinson Road, #21-02 AIA Tower, Singapore 048542
Tel: 6532 3829

PROXY FORM



KLW HOLDINGS LIMITED

(Company Registration No. 199504141D)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF moneys to buy KLW Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Meeting as an observer must submit their requests through the CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominee within the time frame specified to enable them to vote on their behalf.

*I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of the abovenamed Company, hereby appoint : -

| Name | Address | NRIC / Passport No. | Proportion of Shareholdings |
|--------------------------------|---------|------------------------|--------------------------------|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company (the "Meeting") to be held on 29 July 2015 at 10am and at any adjournment thereof. The proxy/proxies will vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

| RESOLUTIONS | To be used on show of hands or the event of a Poll | |
|--|--|---------------------------|
| | No. of votes For** | No. of votes Against** |
| Resolution 1 Directors' Report and Audited Accounts for the financial year ended 31 March 2015 | | |
| Resolution 2 Directors' Fees for the financial year ended 31 March 2015 | | |
| Resolution 3 Re-election of Mr Lee Boon Teck as a Director | | |
| Resolution 4 Re-election of Mr Teo Hin Guan as a Director | | |
| Resolution 5 Re-election of Pengiran Muda Abdul Qawi as a Director. | | |
| Resolution 6 Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors | | |
| Resolution 7 Authority to issue shares | | |

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.
Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2015

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| 1. CDP Register | |
| 2. Register of Members | |

Signature/Common Seal of Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. 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 of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
- (2) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- (3) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any other named proxy as alternate(s) to the first named.
- (4) Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
- (5) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Kaki Bukit Industrial Terrace Singapore 416119 not later than 48 hours before the time appointed for the Meeting.
- (6) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- (7) A corporation which 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



KLW HOLDINGS LIMITED

190 Macpherson Road, #03-02, Singapore 348548

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