



KEONG HONG HOLDINGS LIMITED

Incorporated in the Republic of Singapore
(Company Registration Number: 200807303W)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE GROUP'S UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 JUNE 2022 ("9MFY2022 RESULTS")

The Board of Directors of Keong Hong Holdings Limited (the "Company" and together with its subsidiaries, the "Group") refers to the queries raised by the SGX-ST on 16 August 2022 in relation to the Group's unaudited condensed financial statements for the nine months and third quarter ended 30 June 2022 ("9MFY2022") announced on 11 August 2022, wishes to provide its response as follows:

- 1) It is disclosed in the unaudited results that, the Company reported trade and other receivables and non-trade receivables (current and non-current) amounting to S\$90.5 million which represented 101% of the Group's revenue of S\$89.3 million for the 9-month period ended 30 June 2022.

Please disclose:

- a. The breakdown of the Group's trade and other receivables

	Group 9MFY2022 S\$'000	Note
Non-current assets		
Non-trade receivables		
- Joint ventures	35,182	(i)
Current assets		
Trade receivables		
- third parties	13,646	(ii)
- joint ventures	1,857	(ii)
- associates	4,375	(ii)
Loss allowance on trade receivables from third parties	(811)	(iii)
	19,067	
Retention sum		
- third parties	4,877	(iv)
- joint ventures	5,376	(iv)
- associates	3,152	(iv)
Loss allowance on retention sum from third parties	(2,560)	(iii)

	Group 9MFY2022 S\$'000	Note
Security deposits	849	(v)
Non-trade receivables		
- third parties	2,492	(vi)
- joint ventures	2,360	(vii)
- associates	23,250	(viii)
Loss allowance		
- third parties	(1,472)	(iii)
- joint ventures	(1,254)	(ix)
- associates	(1,432)	(ix)
Advance payments	582	(x)
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	55,287	
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Total	90,469	
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Notes

Group's trade and other receivables were incurred in the ordinary course of business of the Group.

- (i) Non-current non-trade receivables from a joint venture is unsecured and bear interest rate of 2.00% per annum.
- (ii) Trade receivables from third parties, associates and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days credit terms.
- (iii) Loss allowance on trade receivables, retention sum and non-trade receivables of third parties is based on the expected credit loss model.
- (iv) Retention sum relates to amount held by customers for contract work completed.
- (v) Security deposits relate to deposits for utilities, rental of dormitories as well as rental of plant and equipment.
- (vi) Non-trade receivables from third parties are unsecured, non-interest bearing and generally on 30 to 60 days credit terms.
- (vii) Non-trade amounts due from joint ventures are unsecured, repayable on demand and non-interest bearing.
- (viii) Non-trade amounts due from associates are unsecured, non-interest bearing and repayable on demand except for an amount of S\$2,000,000, which bears interest rate of 6.00% per annum.
- (ix) For loss allowance of non-trade receivables from associates and joint ventures, management determines whether there is significant increase in credit risk since initial recognition. Management assess the financial performance of the associates and joint ventures to meet the contractual cash flows obligation.
- (x) Advance payments relates to advancement to subcontractors, which is unsecured and non-interest bearing.

- b. **For other receivables and non-trade receivables, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;**

Please refer to our response in para 1(a) and the accompanying explanatory notes.

- c. **The ageing profile of the Group's trade and other receivables in bands of 3 months;**

Ageing profile of the Group's trade receivables

	The Group				Total
	0 – 3	4 – 6	7 – 9	> 9	
	months	months	months	months	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Third parties	12,434	238	-	974	13,646
Joint ventures	1,821	-	-	36	1,857
Associates	-	-	-	4,375	4,375
Total	14,255	238	-	5,385	19,878

Ageing profile of other receivables

Retention sum is due for settlement for more than 12 months. They have been classified as current asset because they are expected to be realised in the normal operating cycle of the Group.

Non-trade receivables are repayable on demand, thus, ageing profile is not applicable.

- d. **Whether these outstanding amounts are owing from related parties, including any directors, key executives, substantial shareholders or their respective associates. If yes, to provide details and quantify; and**

Except as disclosed in our response in para 1(a) and the accompanying explanatory notes, there are no outstanding amounts owing from directors, key executives, substantial shareholders or their respective associates.

- e. **The Board's assessment on the recoverability of the Group's trade and other receivables and non-trade receivables, and the basis for such an assessment.**

The Board has reviewed the Management's assessment on the recoverability of the trade and other receivables under SFRS(I) 9 *Financial Instruments* and is of the opinion that the impairment loss allowance for expected credit losses is in accordance with SFRS(I) 9 *Financial Instruments* and has been adequately provided for as at 30 June 2022. Arising from it, the Board concurred with the Management's view on the recoverability of the Group's trade and other receivables.

- 2) Please disclose a breakdown of trade and other payables amounting to S\$55.4 million as at 30 June 2022. Please also disclose the ageing and nature of these payables and whether the counterparties are related parties. Please provide the reason(s) for the significant trade and other payables of S\$55.4 million when the Group recorded a cash and cash equivalent of S\$40.4 million as at 30 June 2022.

The breakdown of the Group's trade and other payables

	Group 9MFY2022 S\$'000	Note
Non-current liabilities		
Non-trade payables		
- loan from shareholders	12,750	(i)
Current liabilities		
Trade payables		
- third parties	6,126	(ii)
- accrued subcontractor expenses	29,303	(iii)
	<u>35,429</u>	
Non-trade payables		
- third parties	170	(ii)
- due to non-controlling interest of a subsidiary	2,422	(iv)
Rental deposits	718	
Accrued operating expenses	1,827	
Corporate guarantee liability	1,616	(v)
Goods and services tax payable	461	
	<u>42,643</u>	
Total	<u>55,393</u>	

Notes

Except as disclosed in para 2(i) and 2(iv), the counterparties of trade and other payables are non-related parties.

The significant increase in trade and other payables is mainly attributed to the loan from shareholders amounting S\$12.8 million and increase in accrued subcontractor expenses that is in tandem with the higher revenue recorded for 9MFY2022.

- (i) Non-current non-trade payables is in respect of the loan from shareholders, namely LJHB Capital (S) Pte. Ltd. and Mr Leo Ting Ping Ronald, to meet the Group's financing requirement. The loan is unsecured, bearing an interest of 6.25% per annum, and is repayable on 19 August 2023.
- (ii) Current trade and non-trade payables to third parties are unsecured, non-interest bearing and generally on 30 to 60 days credit terms.
- (iii) Accrued subcontractor expenses relates to expenses incurred for the building and construction services but not billed by subcontractors.

- (iv) Non-trade amount due to non-controlling interest of subsidiary is unsecured, non-interest bearing and repayable on demand.
- (v) The provision of corporate guarantee is related to the corporate guarantee to bank for borrowings of an associate.

Ageing of trade payables

	The Group				Total
	0 – 3	4 – 6	7 – 9	> 9	
	months	months	months	months	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Third parties	5,594	70	3	459	6,126

Due to the nature of accrued subcontractor expenses and non-trade payables, ageing is not applicable.

BY ORDER OF THE BOARD

Heng Michelle Fiona/Lim Guek Hong
Company Secretaries

18 August 2022