



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 THREE MONTHS AND FULL YEAR ENDED 30 SEPTEMBER 2022 (“FY2022 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 1 December 2022 in relation to the Group’s unaudited condensed financial statements for the three month and full year ended 30 September 2022 (“FY2022”) announced on 29 November 2022, wishes to provide its response as follows:

1) The Company reported allowance for trade and other receivables of S\$3.5 million and for contract assets of S\$2.6 million in FY2022. Please disclose:

(a) a breakdown and the ageing of trade and other receivables and the reason for the significant increase in the value of the allowance.

Breakdown of Group’s trade and other receivables

	FY2022	FY2021
	S\$’000	S\$’000
Trade receivables		
- third parties	18,502	4,768
- associates	4,494	4,273
- joint ventures	1,458	2,288
	<u>24,454</u>	<u>11,329</u>
Loss allowance	(2,449)	(1,057)
	<u>22,005</u>	<u>10,272</u>
Retention sum		
- third parties	2,750	2,483
- associates	3,238	3,079
- joint ventures	5,376	5,376
Loss allowance	(2,481)	(1,158)
	<u>8,883</u>	<u>9,780</u>

	FY2022	FY2021
	S\$'000	S\$'000
Non-trade receivables		
- third parties	1,582	2,229
- associates	24,498	21,376
- joint ventures	38,482	1,921
Loss allowance	(4,522)	(4,366)
Advance payments	918	345
Goods and services tax recoverable	285	194
Government grant receivable	-	12
Security deposits	1,083	993
	<hr/>	<hr/>
	62,326	22,704
	<hr/>	<hr/>
Total	93,214	42,756

Ageing profile of the Group's trade receivable

	The Group				Total
	Current	1 – 3	4 – 6	> 6	
	S\$'000	months	months	months	S\$'000
Third parties	18,160	155	9	178	18,502
Associates	-	-	-	4,494	4,494
Joint venture	1,458	-	-	-	1,458
Total	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	19,618	155	9	4,672	24,454

Ageing profile of other receivables

Retention sum is due for settlement for more than 12 months but classified as current asset because it is 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.

Reason for the significant increase in the value of the allowance

- (i) Impairment provisions for trade receivables and retention sum are recognised in accordance with the expected credit loss model within *SFRS(I) 9 Financial Instruments*.

At each reporting period, the Group recalibrate the expected credit loss model with historical default rates updated and change in the industry outlook reassessed.

(ii) Trade receivables

The following table provides information about the exposure to credit loss for trade receivables as at the end of the reporting period.

	Gross carrying amount S\$'000	Loss allowance S\$'000	Net carrying amount S\$'000
FY2022			
Trade receivables			
Not past due	19,618	-	19,618
Past due			
- 1 to 3 months	155	-	155
- 4 to 6 months	9	-	9
- over 6 months	4,672	(2,449)	2,223
	<u>24,454</u>	<u>(2,449)</u>	<u>22,005</u>
FY2021			
Trade receivables			
Not past due	5,923	-	5,923
Past due			
- 1 to 3 months	77	-	77
- 4 to 6 months	2	-	2
- over 6 months	5,327	(1,057)	4,270
	<u>11,329</u>	<u>(1,057)</u>	<u>10,272</u>

A loss allowance of S\$2.5 million (FY2021: S\$1.1 million) related to trade receivables was recognised that are past due for over 6 months. No impairment allowance is recognised for the remaining trade receivables, as these are well-known institutions and government agencies, with good collection track record and no recent history of default, hence the expected credit loss is not material.

(iii) Retention sum

The Group assessed expected credit loss allowance for retention sum based on 12-month expected credit loss model.

The Group's impaired retention sum as at 30 September 2022 amounted to S\$2.5 million (FY2021: S\$1.2 million).

(iv) Non-trade receivables

The Group assessed the expected credit loss for non-trade amounts due from third parties on 12-month expected credit loss model.

For non-trade receivables from associates and joint venture, management determines whether there is significant increase in credit risk of these associates and joint ventures since initial recognition and assesses the financial strength and financial performance of the associates and joint ventures to meet the contractual cash flows obligations.

Arising from the assessment, the Group recognised expected credit loss allowance on non-trade receivables of S\$4.5 million in FY2022 (FY2021: S\$4.4 million).

(b) the nature and the reason for the impairment of the contract assets

Impairment provisions for contract assets are recognised in accordance with the expected credit loss model within *SFRS(I) 9 Financial Instruments*.

At each reporting period, the Group recalibrate the expected credit loss model with historical default rates updated and change in the industry outlook reassessed.

Arising from the recalibration of the expected credit loss model and substantial increase in contract assets, the Group recognised a loss allowance of S\$2.6 million in FY2022 as compared to S\$0.7 million in FY2021.

The following table provides information about the exposure to credit loss for contract assets as at the end of reporting period.

	Gross carrying amount S\$'000	Loss allowance S\$'000	Net carrying amount S\$'000
FY2022			
Contract assets			
Not past due	41,830	(3,316)	38,514
	<hr/>		
FY2021			
Contract assets			
Not past due	36,181	(738)	35,443
	<hr/>		

(c) whether these contracts are from major customers and also whether any are related parties

The contracts are primarily from major customers and the major customers are not related parties.

(d) the Company's plan to recover the trade and other receivables

The trade and other receivables due from third parties and joint ventures are well-known institutions and government agencies, with good collection track record, no recent history of default, creditworthy and financially capable to pay its debts, hence the Group does not foresee any significant difficulties in collection to recover these trade and other receivables.

The trade and other receivables due from associates was mainly in relation to the Group investment in Pristine Islands Investment Pte. Ltd., an investment holding company with a wholly owned subsidiary that operates and manages an airport, hotel and resort in Maldives. The financial performance was adversely impacted by the COVID-19 pandemic in prior years resulting in overdue payments. With the recovery of tourism in Maldives, improvement in occupancy rates in the hotel and resort, the Group anticipated that it will be able to recover the sum owing in due course.

BY ORDER OF THE BOARD

Heng Michelle Fiona / Lim Guek Hong
Company Secretaries

5 December 2022