



**KTL GLOBAL LIMITED**

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

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**RESPONSE TO SGX-ST QUERIES – CLARIFICATION IN RESPECT OF THE ANNOUNCEMENT DATED 24 FEBRUARY 2020 ENTITLED “UNAUDITED FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020” (THE “4Q2020 RESULTS”)**

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The Board of Directors (the “**Board**”) of KTL Global Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) to the Company in relation to the 4Q2020 Results:

**SGX-ST’s Query 1:**

*Please provide the reason(s) for the “Other payables and accruals” amounting to S\$187,000 when the Group recorded “cash and bank balances” of S\$986,000 as at 31 December 2020.*

*Please disclose a breakdown of “Other payables and accruals” amounting to S\$187,000 as at 31 December 2020. For other payables, please disclose the identity of the counterparties, the aging and nature of these other payables.*

**Company’s response:**

Based on the unaudited management account, other payables and accruals include director fees accrued amounting to S\$141,500, other payables amounting to S\$45,500.

The following table shows the aging of other payables of the Group:

	<u>Amount (S\$)</u>	<u>Aging</u>
Payable to a business development and administration staff	44,000	3-6 months
Payable to an operation staff	<u>1,500</u>	3-6 months
	45,500	

The Group has maintained cash and bank balances amounting to S\$986,000 in Singapore bank accounts as at 31 December 2020 to maintain sufficient working capital for the Group’s daily operation. In order to manage a better operating cash flow of the Group, it is the Company policy to extend the payable turnover period even with excess cash in those Singapore bank accounts.

**SGX-ST Query 2:**

*It is stated on page 2 of the announced financial results that the allowance for doubtful debts amounted to S\$5,973,000 for the three months ended 31 December 2020.*

*It is also noted that page 11 of the announced financial results states, amongst others:- “Administration expenses for 4Q 2020 and FY 2020 included allowance for doubtful debts amounted to S\$6.0 million, in line with the Company’s earlier announcement dated 2 February 2021 pertaining to collection of trade receivables and therefore they were substantially higher than the administration expenses in 4Q 2019 and FY 2019 respectively.”*

- i. Please clarify the Company’s plans to recover the doubtful debts amounting to S\$5,973,000;*
- ii. Whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reason(s) in going so;*

- iii. *How long are the debts outstanding and when were the sales reported;*
- iv. *What were the actions taken to recover the doubtful debts amounting to S\$5,973,000;*
- v. *The reasons for the allowance for doubtful debts, including the reason(s) for delays or non-payment, where applicable;*
- vi. *The Board's opinion on the reasonableness of the methodologies used to determine the value of the allowance for doubtful debts of S\$5,973,000;*
- vii. *The Company's policy in trade receivables collection;*
- viii. *The percentage of revenue earned in this financial year that was deemed uncollectible; and*
- ix. *The general credit term extended to customers.*

**Company's response:**

- i. The Company has sent relevant letters of demand to those defaulting customers. If there is no receipt of payment of the debts from those defaulting customers or reasonable repayment plan provided by them, the Company may proceed to act in accordance with the legal advice from lawyers based in the People's Republic of China on other debts recovery procedures against such defaulting customers.
- ii. They are major customers, and the Company has not transacted with those customers since January 2021.
- iii. As at 31 December 2020, the ageing analysis of the outstanding balance of the debts from customers is detailed as follows.

<u>Invoice date</u>	<u>Amount (S\$)</u>
1-3 months	332,000
4-6 months	995,000
6-12 months	2,322,000
Over 12 months	<u>2,324,000</u>
	5,973,000

Out of the doubtful debts amounting to S\$5,973,000, there was S\$3,648,000 and S\$2,325,000 sales recognised respectively in FY2020 and in FY2019.

- iv. The Company has sent relevant letters of demand to those defaulting customers, sought legal advice from PRC lawyers on debt recovery procedures from such defaulting customers and discussed and negotiated payment plans with the customers on terms that would be beneficial to the Group.
- v. The business of the customers was greatly affected during the outbreak of COVID-19 pandemic. The demand for smart automatic vending kiosks ("AVK") has significantly dropped for the sales and dispense of medical consumables and supplements. Due to the travel restriction and other measures imposed by the Chinese government, the distribution of the medical consumables and supplements has been centralised by local government and therefore the use of AVK by citizens visiting hospitals is limited.
- vi. The Board considered that as the customers failed to commit to the repayment plan previously signed and agreed with the Company and there is no receipt of payment of the debts from customers since December 2020 due to adverse changes to the business environment and sluggish market conditions. On this basis, the Group has no reasonable expectation of successful recovery of payments of the debts. It is therefore reasonable to make a full provision of doubtful debts as at 31 December 2020 and suspend the business relationship with those customers.
- vii. The customers of the Group with overdue amount would be contacted directly at any time throughout the collection process to discuss payment of outstanding accounts. If the Group has agreed with the customers about the repayment schedule, there would be an undertaking

agreement signed by both parties. If the customers have failed to repay the debts in accordance with the undertaking agreement, the Company would send demand letter to customers for payment of full amount. If there is no action taken by the customers, the Company would seek legal advice to consider taking further debt recovery actions.

- viii. 100% of the revenue earned in FY2020 was deemed uncollectible as at the date of announcement of the FY2020 unaudited results. The management is closely monitoring the situation and will re-assess the recoverability of trade receivables with reference to the professional judgment of the Group's auditors during the ongoing statutory audit for the financial year ended 31 December 2020.
- ix. The general credit terms of the customers have been extended from 30 days to 180 days for the invoices recognised in FY2019. As the customers have defaulted in repayment to the Group, no extension of credit terms was granted to customers for the invoices incurred in FY2020.

BY ORDER OF THE BOARD

Liu Changsheng  
Chief Executive Officer  
19 April 2020