



## **MATERIAL DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Board of Directors (the “**Board**”) of Hor Kew Corporation Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”) refers to the unaudited full year results announcement for the financial year ended 31 December 2022 (“**FY2022**”) released on 1 March 2023 (the “**Unaudited Full Year Results**”), as well as the audited financial statements for FY2022 subsequently released on 13 April 2023 (the “**Audited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that there were certain material differences between the Audited Financial Statements and the Unaudited Full Year Results in respect of FY2022 following the finalisation of the audit. Details of and explanations for the differences are set out as follows:-

### **A) Consolidated statement of profit or loss and other comprehensive income**

	<b>Audited Financial Statements \$'000</b>	<b>Unaudited Full Year Results \$'000</b>	<b>Variance \$'000</b>	<b>Notes</b>
Revenue	76,457	76,187	270	1
Cost of sales	(60,562)	(61,181)	(619)	2
Gross profit	15,895	15,006	889	3
Other income	3,980	4,297	(317)	4
General and administrative expenses	(11,951)	(11,741)	210	5
Net impairment losses on financial and contract assets	(3,604)	(3,277)	327	6
Tax expense	(1,093)	(804)	289	7
Profit for the financial year	1,721	2,013	(292)	8
Total comprehensive income for the financial year	917	1,204	(287)	9

#### Notes:

1. Increase mainly due to additional revenue accruals for delivery orders received back from customers subsequent to year end but pertained to deliveries made in FY2022.
2. Decrease mainly due to reductions for excessive cost accruals after posting of supplier invoices.
3. Increase mainly due to combined effect of \$270,000 additional revenue accruals and \$619,000 reductions in cost accruals as mentioned above.
4. Decrease mainly due to decreases of \$196,000 in gain on disposal of property, plant and equipment and \$116,000 in fair value gain on investment properties.
5. Increase mainly due to additional staff cost accruals.
6. Increase mainly due to additional impairment required based on the expected credit loss allowance for financial and contract assets assessed as at 31 December 2022.
7. Increase mainly due to additional \$160,000 deferred tax expense and \$143,000 income tax expense relating to FY2022, partially offset by \$14,000 reduction in prior year income tax under provision. The additional \$160,000 deferred tax expense was due to reversal of prior year deferred tax asset and additional \$143,000 income tax expense was due to higher capital allowances estimated during the Unaudited Full Year Results announcement.

8. Decrease mainly due to increase in gross profit of \$889,000 being less than the decrease in other income of \$317,000 and increases in general and administrative expenses of \$210,000, net impairment losses on financial and contract assets of \$327,000 and tax expense of \$289,000 as explained above.
9. Decrease mainly due to profit for the financial year being \$292,000 lower in the Audited Financial Statements than the Unaudited Full Year Results as explained above.

### **B1) Statement of Financial Position (Group level)**

	<b>Audited Financial Statements \$'000</b>	<b>Unaudited Full Year Results \$'000</b>	<b>Variance \$'000</b>	<b>Notes</b>
Trade receivables (non-current)	3,720	3,127	573	1
Trade payables	26,538	26,831	(293)	2
Contract liabilities	7,620	8,367	(747)	3
Trade receivables (current)	30,279	32,240	(1,961)	4
Inventories	11,489	10,691	798	5
Other receivables	1,386	1,681	(295)	6
Other payables	5,600	5,381	219	7

#### Notes:

1. Increase mainly due to \$573,000 of current trade receivables being classified to non-current trade receivables as they pertained to retention sums for projects due from customers after one year.
2. Decrease mainly due to reclassifications to offset current trade receivables for balances of trade creditors that were also trade debtors.
3. Mainly due to adjustments to take up additional advance payments received from customers.
4. Decrease mainly due to \$327,000 additional impairment loss on trade receivables (refer note 6 for statement of profit or loss and other comprehensive income), \$573,000 reduction for reclassification to non-current trade receivables, \$293,000 reduction for reclassifications from trade creditors and \$747,000 reduction for reclassification to contract liabilities, all as explained above.
5. Increase mainly due to year end stock valuation adjustments.
6. Decrease mainly due to certain reclassifications to intercompany receivables which were eliminated at consolidation.
7. Increase mainly due to additional staff cost accruals, partially offset by reclassifications to intercompany payables that were eliminated at consolidation.

### **B2) Statement of Financial Position (Company level)**

	<b>Audited Financial Statements \$'000</b>	<b>Unaudited Full Year Results \$'000</b>	<b>Variance \$'000</b>	<b>Notes</b>
Investment in subsidiary companies	58,933	58,736	197	1
Trade receivables (non-current)	1,898	1,712	186	2

#### Notes:

1. Increase due to \$197,000 reversal for impairment of investment in a Malaysian subsidiary company.
2. Increase mainly due to additional accruals for management fee income billable to subsidiaries.

### C) Consolidated statement of cash flows

	<b>Audited Financial Statements \$'000</b>	<b>Unaudited Full Year Results \$'000</b>	<b>Variance \$'000</b>	<b>Notes</b>
Net cash generated from operating activities	8,285	7,444	841	1
Net cash used in financing activities	(5,891)	(5,235)	656	2

Notes:

1. Increase mainly due to increases in receivables and impairment loss of trade receivables and contract assets of \$1,656,000, partially offset by decreases of \$747,000 in contract liabilities and \$134,000 in payables.
2. Increase mainly due to \$3,610,000 increase in repayment of borrowings partially offset by \$3,048,000 decrease from drawdown of borrowings, whereby majority of these two amounts were netted off in the Unaudited Full Year Results.

#### BY ORDER OF THE BOARD

MS KOH EE KOON  
COMPANY SECRETARY  
21 April 2023