



**HOR KEW CORPORATION LIMITED**  
(Reg. No. 199903415K)

---

## **RESPONSE TO SGX QUERIES**

---

The Board of Directors (the “**Board**”) of Hor Kew Corporation Limited (the ‘**Company**’ and together with its subsidiaries, the “**Group**”) wishes to provide the following information in response to SGX’s queries received on 27 April 2021 relating to the Group’s Annual Report for the financial year ended 31 December 2020 (“**FY2020**”) released on 14 April 2021 via SGXNET:-

### **SGX query 1:**

On page 41 of the Company’s Annual Report, the Company disclosed that “The AC and the Board have evaluated the merits of setting up an internal audit function during the financial year and are of the opinion that having regard to the scope and nature of the Group’s operations and cost-effectiveness of operating such a function, the existing system of internal controls in place are adequate to mitigate against normal operational risks. Accordingly, no formal internal audit function has been set up during the financial year.” Listing Rule 1207(10C) requires the Audit Committee’s comments on whether the internal audit function is independent, effective and adequately resourced. Please also explain how the Company has complied with Listing Rule 1207(10C).

### **Company’s response:**

The Group currently does not have a formal internal audit function but it has all along dedicated certain internal resources towards performing regular audit checks on various key operations and processes, to ensure the adequacy and effectiveness of its internal controls. To improve on compliance with Listing Rule 1207(10C), the Group is now evaluating whether to set up a formal internal audit function internally or outsource it to an auditing firm.

### **SGX query 2:**

If there are material discrepancies between an the issuer’s interim full year results and its audited full year results, the issuer is required to disclose and explain the material discrepancies via an SGXNET announcement under Listing Rule 704(6). Please explain the material discrepancy in the values in profit before tax in: (a) the Company’s Consolidated Statement of Profit or Loss and Other Comprehensive Income found on page 55 of the FY2020 Annual Report; (b) the Company’s full year financial statements for FY2020. Please also explain how the Company has complied with Listing Rule 704(6).

### Company's response:

- (i) Below are the explanations for notable variances between unaudited and audited Consolidated Statement of Profit or Loss and Other Comprehensive Income, up to profit before tax:

	Unaudited \$'000	Audited \$'000	Variances \$'000	Notes
Revenue	49,538	49,710	172	1
Cost of sales	(39,135)	(39,779)	(644)	2
Gross profit	10,403	9,931	(472)	
Interest income	230	230	-	
Other income	5,546	6,018	472	2
General and administrative expenses	(7,807)	(8,130)	(323)	3
Finance costs	(1,758)	(1,772)	(14)	
(Net impairment loss)/write-back of financial and contract assets	(6,073)	(5,904)	169	4
Profit before tax	541	373	(168)	

### 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 FY2020.
  2. \$172,000 variance mainly pertained to additional cost accruals relating to the additional revenue accruals in Note 1. Remaining \$472,000 variance mainly pertained to reclassifications of certain billings for rental and cost recoveries from cost of sales to other income.
  3. Increase mainly due to increase in provision for staff bonus expense.
  4. Decrease due to downward adjustments in estimated uncollectable amounts due from customers.
- (ii) The profit before tax for the Group in the audited full year results was lower than the unaudited full year results by \$168,000, or only 0.3% of the Group's FY2020 revenue. Management was fully aware of this variance but was of the view that this variance was not material enough to require an SGXNET announcement, and therefore the Company was still in compliance with Listing Rule 704(6).

### SGX query 3:

Provision 9.2 of the Code states that "The Board requires and discloses in the company's annual report that it has received assurance from:

- (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems."

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 9.2 of the Code with regard to the assurance from other key management personnel who are responsible, regarding the adequacy of the company's risk management and internal control systems. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which requires the Board to be responsible for the governance of risk and ensuring that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

**Company's response:**

On page 38 of the Company's Annual Report, the Company disclosed that the Board has received written assurances from the CEO and the Financial Controller (FC) that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) an effective risk management and internal control system has been put in place to ensure compliance with all the relevant regulatory requirements.

The Company has three key management personnel as listed on page 13 of the Company's Annual Report. Other than the FC, the Company has two other key management personnel, namely Madam Aw Lay Sim and Mr Aw Soon Hwee, who also report to the CEO. All three key management personnel are involved in monthly meetings with the CEO on operational and financial matters. The CEO and FC, in their written assurances to the Board above-mentioned, are also representing the two other key management personnel. In this way, the Company fulfils the intent of Principle 9 of the Code, whereby the Board ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the Company and its shareholders.

**BY ORDER OF THE BOARD**

MS KOH EE KOON  
COMPANY SECRETARY  
29 April 2021