



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

Independent Auditor’s Assessment of the Material Uncertainty Related to Going Concern on the Audited Consolidated Financial Statements for the Financial Year ended 31 December 2019

Pursuant to Rule 704(5) of the Listing Manual: Announcement of Specific Information, the Board of Directors (the “**Board**”) of Hor Kew Corporation Limited (the ‘**Company**’) wishes to announce that the Company’s independent auditor, Baker Tilly TFW LLP (the “**Independent Auditor**”), has included an assessment of the Material Uncertainty Related to Going Concern in its audit report (the “**Independent Auditor’s Report**”) on the Company’s audited consolidated financial statements for the financial year ended 31 December 2019 (“**FY2019 Audited Financial Statements**”).

A copy of the Independent Auditor’s Report together with the relevant extracts of Notes 2 and 3 to the FY2019 Audited Financial Statements is annexed to this announcement for reference. Shareholders of the Company (“**Shareholders**”) are advised to read the FY2019 Audited Financial Statements in the Company’s annual report for the financial year ended 31 December 201, which will be despatched to Shareholders in due course.

For the avoidance of doubt, the opinion of the Independent Auditor on the FY2019 Audited Financial Statements remains unqualified and the Board is of the view that the Group will be able to continue as a going concern. The basis for the Board’s view is as set out in the extract of Note 3 to the Audited Financial Statements.

The Board also hereby confirms that sufficient information has been disclosed by the Company to enable trading of the Company’s shares to continue in an orderly manner.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
15 April 2020

Copy of Independent Auditor's Report

Independent auditor's report
For the financial year ended 31 December 2019

Independent auditor's report to the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hor Kew Corporation Limited (the "Company") and its subsidiary companies (the "Group") as set out on pages 55 to 150, which comprise the statements of financial position of the Group and the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As disclosed in Note 3 to the financial statements, as at 31 December 2019, the Group's and the Company's current liabilities of \$76,182,000 (2018: \$74,543,000) and \$34,852,000 (2018: \$25,965,000) respectively exceeded their current assets (excluding development properties) of \$59,552,000 (2018: \$63,325,000) and \$10,910,000 (2018: \$16,123,000) respectively. For the financial year ended on that date, the Group reported net cash used in operating activities of \$604,000.

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Report on the Audit of the Financial Statements (cont')

Material Uncertainty Related to Going Concern (cont'd)

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The directors of the Company, for the reasons as disclosed in Note 3 to the accompanying financial statements, have determined that it is appropriate for the financial statements to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

1 Impairment of trade receivables

As disclosed in Note 14 to the financial statements, the net carrying amount of the Group's trade receivables stated at \$28,515,000 (2018: \$24,845,000), after deducting impairment losses of \$7,068,000 (2018: \$7,939,000), accounted for approximately 17% (2018: 15%) of the Group's total assets as at 31 December 2019.

Management determines the expected credit losses ("ECL") of trade receivables by applying the simplified approach and uses the provision matrix to measure the lifetime ECL for trade receivables. The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred. The ECL rates for each category of debtors are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. The measurement of allowance for ECL for trade receivables is considered to be a key audit matter as it requires management to exercise judgement and make assumptions with respect to past events, current conditions and forecasts of future economic conditions as disclosed in Notes 3 and 36 to the financial statements.

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Report on the Audit of the Financial Statements (cont')

Key Audit Matters (cont'd)

Our procedures to address the key audit matter

We obtained an understanding and evaluated the Group's ECL assessment for trade receivables. We assessed the reasonableness of management's judgement and assumptions applied in the ECL model such as management's determination of historical credit loss rates, the application of respective ECL rates for each category of past due status of debtors and debtors regarded as credit-impaired, and management's consideration of current and future economic conditions specific to its trade receivables. We checked the arithmetic accuracy of management's computation of ECL and tested management's categorisation of debtors by their past due status.

We also reviewed the adequacy of disclosures relating to the ECL assessment of trade receivables and the Group's credit risk made in the financial statements.

2 Provision for onerous contracts

The Group entered into contracts with customers to deliver precast concrete and prefabricated metal components. Due to rising cost of materials, the unavoidable aggregate costs to fulfil certain contracts are higher than the economic benefits expected to be received. As at 31 December 2019, the provision for onerous contracts of the Group amounted to \$1,533,000 (2018: \$6,017,000) as disclosed in Note 27 to the financial statements.

As disclosed in Note 3 to the financial statements, the Group estimated a provision for its non-cancellable contracts in relation to the Group's prefabrication activities by calculating the difference between the total contract sum to be earned and the unavoidable aggregate costs the Group is obligated to incur in order to meet the remaining obligations of the contracts.

Significant judgements were made by management (i) to estimate the total contract costs to complete, which were used to determine the Group's recognition of the provision for the onerous contracts and (ii) to determine when it is probable that the unavoidable aggregate costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

Our procedures to address the key audit matter

We examined on-going and new contracts signed during the financial year through discussions with management and review of contract documentation (including correspondences with customers).

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Report on the Audit of the Financial Statements (cont')

Key Audit Matters (cont'd)

We compared the contract revenue against the estimated total contract costs to identify projects that are lossmaking.

In relation to actual costs incurred for loss-making projects, we agreed the related costs incurred to relevant suppliers' invoices.

In relation to estimated total contract costs for loss-making projects, we:

- discussed with the quantity surveyors to assess the reasonableness of estimated total contract costs;
- evaluated management's underlying assumptions made using our understanding of past completed projects; and
- agreed the unavoidable cost to meet the remaining obligations for each contract by substantiating costs that have been budgeted to quotations from and contracts with suppliers.

We also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent auditor's report
For the financial year ended 31 December 2019

Independent auditor's report to the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements (cont')

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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Report on the Audit of the Financial Statements (cont')

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copy of Independent Auditor's Report

**Independent auditor's report
For the financial year ended 31 December 2019**

Independent auditor's report to the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements (cont')

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

9 April 2020

Extract of Note 3 to the FY2019 Audited Financial Statements

Hor Kew Corporation Limited Notes to the consolidated financial statements For the financial year ended 31 December 2019

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

Going concern assumption

As at 31 December 2019, the Group's and the Company's current liabilities of \$76,182,000 (2018: \$74,543,000) and \$34,852,000 (2018: \$25,965,000) respectively exceeded their current assets (excluding development properties) of \$59,552,000 (2018: \$63,325,000) and \$10,910,000 (2018: \$16,123,000) respectively. For the financial year ended on that date, the Group reported net cash used in operating activities of \$604,000.

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as going concerns. The ability of the Group and Company to continue as going concerns is dependent on the Group's and Company's ability to generate sufficient cash flows to pay its debts and obligation as and when they fall due. In the opinion of the directors, the Group and the Company are able to continue as going concerns for at least a period of 12 months from the date these financial statements were approved as the Group has sufficient unutilised banking facilities available for future use should the need arise.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Extract of Note 2 to the FY2019 Audited Financial Statements

Hor Kew Corporation Limited Notes to the consolidated financial statements For the financial year ended 31 December 2019

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar (“\$”) (rounded to the nearest thousand (\$’000) except when otherwise indicated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (“SFRS(I)”). The financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.