



RESPONSE TO SGX QUERY

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 8 March 2021 relating to the Group's 2020 full year results released on 1 March 2021:-

SGX query 1:

On page 1 of the Company's FY2020 results, the Company disclosed net impairment losses on financial and contract assets amounting to \$6.1 million for the full year ended 31 December 2020. Please provide breakdown of the amount of \$6.1 million and elaborate on reason for the significant impairment and how the amount was determined.

Company's response:

Under SFRS(I) 9, the Group is now required to recognise an overall allowance for Expected Credit Losses (ECLs) of financial and contract assets at each reporting date, instead of providing impairment on amounts due from specific trade debtors which was done previously. The Group will use historical credit loss experience and adjust for current conditions and forward-looking factors specific to the debtors and the economic environment, so as to determine the overall allowance for ECL.

In FY2020, a major trade debtor of the Group went into liquidation proceedings. Recoverability of the amount due from this trade debtor of \$4.6 million appeared unlikely, and this significantly increased the allowance for ECL of the trade receivables by \$6.1 million. Therefore, the Group had to impair its financial and contract assets by \$6.1 million for the full year ended 31 December 2020.

SGX query 2:

On page 4 of the Company's FY2020 results, the Company disclosed non-current trade receivables amounting to \$8.09 million as at 31 December 2020. Please disclose:

- (i) the nature of the non-current receivables; and
- (ii) the Board's assessment of the recoverability of the non-current trade and other receivables.

Company's response:

- (i) The Group's non-current trade receivables of \$8.09 million relate to long term trade receivables, being retention sums of projects receivable from customers.
- (ii) The Board has assessed the recoverability of the non-current trade and other receivables under SFRS(I) 9, and are of the opinion these assets have been adequately impaired such that they were presented at net recoverable values as at 31 December 2020.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
11 March 2021