



RESPONSE TO SGX QUERIES RECEIVED ON 18 AUGUST 2022

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 18 August 2022 relating to the Group’s unaudited first half financial results for the six months period ended 30 June 2022 (“**1H 2022**”) released on 12 August 2022 via SGXNET:-

SGX query 1:

We note that the Company recorded:

- (a) An increase in trade receivables (current and non-current) of \$4,541m from \$20.445m as at 31 December 2021 to \$24.986m as at 30 June 2022;
- (b) Other receivables of \$1.051m as at 30 June 2022; and
- (c) An impairment loss on trade receivables of \$2.280m for the period ended 30 June 2022.

Please disclose:

- (i) The breakdown of the Group’s other receivables;
- (ii) The underlying transactions for other receivables, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- (iii) The ageing profile of the Group’s (i) trade receivables and (ii) other receivables in bands of 3 months;
- (iv) Whether these outstanding amounts, including the amount impaired are owing from related parties. If yes, to provide details and quantify; and
- (v) The Board’s assessment on the recoverability of the Group’s trade and other receivables, and the basis for such an assessment.

Company’s response:

- (i) Below shows the breakdown of the Group’s other receivables as at 30 June 2022:

	<u>\$’000</u>
Sundry deposits	456
Sundry receivables	373
Prepayments	<u>222</u>
Total other receivables	<u>1,051</u>

- (ii) Below shows the underlying transactions, terms of transactions and terms of payments for the respective categories of other receivables:

Other receivable category	Underlying transactions	Terms of transactions	Terms of payments
Sundry deposits	Pertained mainly to deposits the Group placed with external parties for the contractual periods of various services such as space rental, utilities usage and equipment rental, etc	Generally paid to the service-provider vendors based on cash on delivery (COD) or 30 days' credit terms	Generally subsequently recovered from the service-provider vendors within 90 days after respective contractual periods' expiration
Sundry receivables	Pertained mainly to various outlays, such as levies and workers' accommodation-related costs, that the Group paid to its vendors and subsequently recovers from other third parties as agreed	Generally paid to vendors based on COD or 30 days' credit terms	Generally subsequently recovered from the third parties within 90 to 120 days after billing them
Prepayments	Pertained to amounts paid upfront for services that would be utilised subsequent to 30 June 2022, such as for insurance, software licences and office equipment rental, etc	Generally paid upfront to vendors based on COD or 30 days' credit terms and have to be reversed to expenses subsequently in the periods the services are utilised	Generally paid upfront to the vendors in one lump sum yearly or quarterly

All these other receivables were incurred in the ordinary course of business.

- (iii) Below shows the ageing profile of the Group's trade receivables as at 30 June 2022:

	1 to 3 months	4 to 6 months	7 to 9 months	10 to 12 months	>12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	9,362	3,477	4,486	1,416	23,188	41,929
Impairment loss on trade receivables	-	-	-	-	(16,943)	(16,943)
	9,362	3,477	4,486	1,416	6,245	24,986

Sundry deposits can be recovered from the service-provider vendors for which the Group places the deposits with only after contractual expiry dates, so it will not be meaningful to disclose the ageing profile of this category of other receivables. Historical trends indicate that sundry deposits are generally recovered within 90 days of contract expirations.

Prepayments will be reversed out and at same time debited to the profit or loss statement as expenses in the periods that the services are utilised, and they are not collectable from debtors. Therefore it will not be meaningful to disclose the ageing profile of this category of other receivables.

Below shows the ageing profile of the Group's sundry receivables as at 30 June 2022:

	1 to 3 months \$'000	4 to 6 months \$'000	7 to 9 months \$'000	10 to 12 months \$'000	>12 months \$'000	Total \$'000
Sundry receivables	227	17	12	117	-	373

- (iv) These outstanding amounts, including the amount impaired, were not owing from related parties. They were all amounts due from external parties.
- (v) In accordance with Financial Reporting Standards, the Group used a provision matrix to estimate the expected credit loss ("ECL") allowance required for its trade receivables as at 30 June 2022. Based on the matrix, the Group estimated the ECL rates based on historical observed default rates, and then adjusted these rates based on forward-looking factors specific to the debtors and economic environment. Using this methodology, the Group was required to top up its ECL allowance as at 30 June 2022 by \$2.280m, so it had provided for impairment loss on trade receivables of \$2.280m for 1H 2022.

The Board had assessed this impairment loss on trade receivables of \$2.280m to be adequate, and that the net trade receivables of \$24.986m after impairment as at 30 June 2022 to be recoverable.

The Board had also assessed the Group's other receivables of \$1.051m as at 30 June 2022 based on various factors such as their nature, ageing profiles and historical collection trends, and deemed them to be recoverable.

SGX query 2:

Please explain why no dividend was declared despite the Company being profitable for the period ended 30 June 2022.

Company's response:

The Board is of the view that while the Group was profitable for the period ended 30 June 2022, the Group's earnings and cash flow position were not strong enough to declare dividends at this point of time, especially since the Group is facing inflationary cost pressures for staff and raw materials as mentioned in note 19 of the Company's 1H 2022 results announcement. Moreover, while the accumulated profits at Group level were positive as at 30 June 2022, the accumulated profits at Company level remained negative.

The Board always seeks to increase shareholders' returns, and it plans to pay out dividends in future at an appropriate time when the Group's earnings and cash flow position are more stable, and the accumulated profits at Company level turn positive.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
22 August 2022