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 25 April 2022 relating to the Group's Annual Report for the financial year ended 31 December 2021 ("**FY2021**") released on 14 April 2022 via SGXNET:-

SGX query 1:

Pursuant to Rule 1207(10C), the annual report must contain the Audit Committee's ("**AC**") comment on whether the internal audit ("**IA**") function is independent, effective and adequately resourced. We note that the Company has outsourced its IA function. Please provide further details to substantiate the AC's comment regarding the IA function, including its size, experience and qualifications of the auditing firm and the engagement team.

Company's response:

As mentioned under the "Internal Audit Function" section of the FY2021 Annual Report page 38, the IA of the Group is outsourced to In.Corp Business Advisory Pte. Ltd ("**In.Corp**"). In.Corp is a Singapore-headquartered professional services firm specializing in internal audits, risk management, corporate governance reviews, sustainability reporting engagements, and other advisory services for various public listed companies, multinational companies, government ministries, organs of state, statutory boards, financial institutions and SMEs. The engagement team is led by an engagement partner with more than 30 years of relevant experience, whom is assisted by an Associate Director and Senior Manager with more than 14 years and 8 years of relevant experience respectively. The two personnel performing the IA field work have more than four years and two years of relevant experience respectively. The engagement team members for our IA function have Bachelor degrees in accountancy and are members of the Singapore Institute of Internal Auditors Singapore.

The AC is of the opinion that the IA function is:
1) Independent as we outsourced it to In.Corp, and the engagement team members do not have any interest in the Group's business,
2) Effective as it follows a five-year audit plan covering all the various aspects and functions of the Group's business from finance, IT, HR, procurement and sales to operations, and
3) Adequately resourced given the size of our Group's operations, the number of our staff and the amount of audit work to be carried out.

SGX query 2:

Pursuant to Rule 704(6), if an issuer has previously announced its preliminary full-year results, the issuer must immediately announce any material adjustments to its preliminary full-year results made subsequently by auditors. We note that the Company had announced its full-year results for FY2021 on 1 March 2022 ("**Preliminary Full-year Results**") and subsequently, its annual report for FY2021 on 14 April 2022 ("Annual Report"). There are, however, material discrepancies between the figures reported in the Preliminary Full-year Results and the Annual Report. In particular:

(a) Gross profit, profit before tax, profit for the financial year and total comprehensive income for the financial year in the Consolidated Statement of Profit or Loss and Other Comprehensive Income;

(b) Total non-current liabilities, total current liabilities and total liabilities in the Statement of Financial Position; and

(c) Net cash generated from operating activities, net cash used in investing activities, net cash used in financing activities and cash and cash equivalents at end of financial year in the Consolidated Statement of Cash Flows.

The Company has not made any announcement relating to the discrepancies. Please provide further details regarding such discrepancies, and explain why the Company did not disclose these as required under Rule 704(6).

Company's response:

(i) Below are the explanations for the discrepancies between the Preliminary Full-year Results and the Annual Report:

(a) For gross profit, profit before tax, profit for the financial year and total comprehensive income for the financial year in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Annual Report	**Preliminary Full-year Results**	**Variance**	**Notes**
	$'000	**$'000**	**%**	
Gross profit	13,279	12,150	9.3	1
Profit before tax	3,961	4,398	(9.9)	2
Profit for the financial year	4,022	3,782	6.3	3
Total comprehensive income for the financial year	3,823	3,591	6.5	4

Notes:

1. Increase mainly due to additional revenue and cost accruals for delivery orders received back from customers subsequent to year end but pertained to deliveries made in FY2021.
2. Decrease mainly due to $0.6 million additional general and administrative expenses in the Annual Report, mainly from staff costs.
3. Increase mainly due to tax credit of $61,000 in the Annual Report compared to tax expense of $0.6 million in the Preliminary Full-year Results.
4. Increase mainly due to profit for the financial year being $0.2 million higher in the Annual Report than the Preliminary Full-year Results.

(b) For total non-current liabilities, total current liabilities and total liabilities in the Statement of Financial Position:

	Annual Report $'000	Preliminary Full-year Results $'000	Variance %	Notes
Total non-current liabilities	35,730	7,780	NM	1
Total current liabilities	56,937	89,701	(36.5)	2
Total liabilities	92,667	97,481	(4.9)	3

Notes:

1. Increase mainly due to $28.2M of term loans being classified from borrowings under current liabilities in the Preliminary Full-year Results to borrowings under non-current liabilities in the Annual Report, mainly due to refinancing arrangements with banks towards year end.
2. Decrease mainly due to $28.2M of term loans being classified from borrowings under current liabilities in the Preliminary Full-year Results to borrowings under non-current liabilities in the Annual Report, mainly due to refinancing arrangements with banks towards year end. Contract liabilities decreased from the Preliminary Full-year Results to the Annual Report by $3.3 million.
3. Decrease mainly due to decrease in contract liabilities of $3.3 million from the Preliminary Full-year Results to the Annual Report.

(c) For net cash generated from operating activities, net cash used in investing activities, net cash used in financing activities and cash and cash equivalents at end of financial year in the Consolidated Statement of Cash Flows:

	Annual Report $'000	Preliminary Full-year Results $'000	Variance %	Notes
Net cash generated from operating activities	8,664	7,055	22.8	1
Net cash used in investing activities	(1,767)	(1,401)	26.1	2
Net cash used in financing activities	(3,723)	(2,972)	25.3	3
Cash and cash equivalents at end of financial year	5,834	5,342	9.2	4

Notes:

1. Increase mainly due to additional adjustments from profit or loss items such as unrealised (gain)/loss on exchange gain and interest expense, and changes in the movements of items in the statement of financial position such as contract assets, contract liabilities and payables.
2. Increase mainly due to payment for settlement of derivative financial instruments of $0.4 million in the Annual Report.
3. Increase mainly due to the Annual Report having a lower drawdown in borrowings of $0.9 million compared to the Preliminary Full-year Results.
4. Increase mainly due to payments in transit being reversed out and increased to bank balance.

(ii) The gross profit, profit before tax, profit for the financial period and total comprehensive income for the financial year of the Group in the Annual Report were within a 10% range of variance from the Preliminary Full-year Results. The net assets of the Group in the Annual Report had a positive variance of only 0.4% from the Preliminary Full-year Results. The major variances in the Statement of Financial Position and the Consolidated Statement of Cash Flows were mainly due to changes in classifications. Management was of the view that the variances were not material enough to require an SGXNET announcement, and therefore the Company was still trying to be in compliance with Listing Rule 704(6). Management however will improve in this area by making the necessary announcements via SGXNET in future to explain for material variances between unaudited and audited results.

SGX query 3:

Pursuant to Listing Rule 710, an issuer must comply with the principles of the Code of Corporate Governance 2018 (the "Code"). Where an issuer's practices vary from any provisions of the Code, it must explicitly explain 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(b) of the Code as the assurance provided by the CEO, the Financial Controller and other key management personnel to the board does not address the adequacy of the Company's risk management and internal control systems.

Please clarify how the practices adopted by the Company are consistent with the intent of Principle 9 of the Code, which states that the board is responsible for the governance of risk and ensures 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:

The Company would hereby like to clarify that it had inadvertently omitted the two words "**adequate and**" from point b of the section "Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel", found on page 37 of the Annual Report. This point should be worded as follows:
"For the financial year ended 31 December 2021, the Board has received assurance from the CEO, the FC and other key management personnel that an **adequate and** effective risk management and internal control system has been put in place to ensure compliance with all the relevant regulatory requirements."

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
27 April 2022