



2016 Second-Quarter and Half-Year Financial Statements Announcement

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL-YEAR ANNOUNCEMENTS.

1. (a) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED RESULTS FOR THE SECOND-QUARTER AND HALF-YEAR ENDED 30 JUNE 2016

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 June 2016.

	Group					
	2Q 2016	2Q 2015	% Variance	1H 2016	1H 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	15,375	19,544	(21)	29,028	40,014	(27)
Cost of sales	(12,363)	(16,770)	(26)	(23,880)	(35,019)	(32)
Gross profit	3,012	2,774	9	5,148	4,995	3
Other income	689	760	(9)	1,404	1,853	(24)
	3,701	3,534	5	6,552	6,848	(4)
Expenses						
General and administrative expenses	3,260	3,583	(9)	5,100	7,057	(28)
Finance costs	356	329	8	734	626	17
	3,616	3,912	(8)	5,834	7,683	(24)
Profit/(loss) before tax	85	(378)	NM	718	(835)	NM
Tax credit	52	25	108	56	10	NM
Profit/(loss) for the period	137	(353)	NM	774	(825)	NM
Other comprehensive (loss)/income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(402)	(890)	(55)	441	(1,440)	NM
Currency translation difference reclassified to profit or loss upon liquidation of a subsidiary	-	-	-	-	(7)	NM
Fair value loss on available-for-sale financial assets	(1)	-	NM	(1)	(5)	(80)
Other comprehensive (loss)/income for the period, net of tax	(403)	(890)	(55)	440	(1,452)	NM
Total comprehensive (loss)/income for the period	(266)	(1,243)	(79)	1,214	(2,277)	NM
Earnings/(loss) per share						
Basic (cents)	0.26	(0.68)	NM	1.49	(1.58)	NM
Diluted (cents)	0.26	(0.68)	NM	1.49	(1.58)	NM

NM Not meaningful

1. (a) (i) Other income includes the following:

	Group					
	2Q 2016	2Q 2015	% Variance	1H 2016	1H 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Fair value gain on derivative financial instruments	-	-	NM	104	-	NM
Gain on disposal of property, plant and equipment	127	1	NM	146	374	(61)
Interest income from fixed deposits	184	225	(18)	376	436	(14)
Rental income	263	308	(15)	556	616	(10)
Sundry income	115	226	(49)	222	427	(48)

1. (a) (ii) Profit/(loss) before tax is arrived at after charging/(crediting) the following:

	Group					
	2Q 2016	2Q 2015	% Variance	1H 2016	1H 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Bad debts recovered	(13)	-	NM	(5)	-	NM
Depreciation of property, plant and equipment	1,166	1,130	3	2,170	2,153	1
Directors' fees	26	24	8	51	51	-
Fair value loss on derivative financial instruments	26	51	(49)	-	73	NM
Foreign exchange loss	1,215	913	33	808	1,817	(56)
Impairment loss on available-for-sale financial assets	-	173	NM	48	266	(82)
Operating lease expenses	193	172	12	380	585	(35)
Staff costs	2,663	3,901	(32)	5,456	7,442	(27)

1. (a) (iii) Tax credit/(expense) includes the following:

	Group					
	2Q 2016	2Q 2015	% Variance	1H 2016	1H 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current year	(2)	(1)	100	(4)	(2)	100
- over provision in respect of prior years	47	20	135	47	-	NM
	45	19	137	43	(2)	NM
Deferred income tax for current period	7	6	17	13	12	8
	52	25	108	56	10	NM

NM Not meaningful

1. (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group \$'000		Company \$'000	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Non-current assets				
Property, plant and equipment	48,889	48,540	342	192
Investment properties	35,580	35,580	-	-
Investment in subsidiary companies	-	-	45,593	45,560
Trade receivables	2,906	2,630	-	-
Club membership	34	34	-	-
Deferred tax assets	128	128	-	-
	87,537	86,912	45,935	45,752
Current assets				
Development properties	19,349	18,957	-	-
Completed development properties held for sales	9,672	9,672	-	-
Inventories	7,466	7,796	-	-
Trade receivables	23,565	27,304	-	-
Other receivables	1,257	2,390	38,420	39,335
Available-for-sale financial assets	15	64	13	14
Cash and cash equivalents	38,051	38,219	60	250
	99,375	104,402	38,493	39,599
Total assets	186,912	191,314	84,428	85,351
Non-current liabilities				
Borrowings	28,844	26,186	-	-
Deferred tax liabilities	2,619	2,632	-	-
	31,463	28,818	-	-
Current liabilities				
Trade payables	17,503	23,617	-	-
Other payables	3,130	4,522	20,438	21,377
Borrowings	39,713	40,711	-	-
Hire purchase payables	969	429	-	-
Derivative financial instruments	41	162	-	-
Tax payables	73	249	-	50
	61,429	69,690	20,438	21,427
Total liabilities	92,892	98,508	20,438	21,427
Net assets	94,020	92,806	63,990	63,924
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	13	13	13	13
Other reserves	16,491	16,051	1	2
Accumulated profits/(losses)	9,193	8,419	(4,347)	(4,414)
Total equity	94,020	92,806	63,990	63,924

1. (b) (ii) Aggregate amount of group's borrowings and debt securities.

(a) Amount repayable in one year or less, or on demand

As at 30 June 2016 (\$'000)		As at 31 December 2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
40,682	-	41,140	-

(b) Amount repayable after one year

As at 30 June 2016 (\$'000)		As at 31 December 2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
28,844	-	26,186	-

Details of collaterals:

- (1) Certain subsidiaries of the Group have pledged their assets for the borrowings;
- (2) First legal mortgages on certain subsidiary companies' investment properties, as well as assignment of all rights, titles and interests on all sale and tenancy agreements, building agreements, construction contracts, guarantees, performance bonds, insurance policies and any other contracts; and
- (3) Corporate guarantees given by the Company to secure borrowings of certain subsidiaries.

1. (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	2Q 2016	2Q 2015	1H 2016	1H 2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit/(loss) before tax	85	(378)	718	(835)
Adjustments for:				
Depreciation of property, plant and equipment	1,166	1,130	2,170	2,153
Fair value loss/(gain) on derivative financial instruments	26	51	(104)	73
Gain on disposal of property, plant and equipment	(127)	(1)	(146)	(374)
Impairment loss on available-for-sale financial assets	-	173	48	266
Interest expense	356	329	734	626
Interest income from fixed deposits	(184)	(225)	(376)	(436)
Unrealised loss on foreign exchange	1,040	1,016	946	1,874
Operating cash flows before working capital changes	2,362	2,095	3,990	3,347
Changes in operating assets and liabilities:				
Development properties, due from customers on development projects and completed development properties held for sale	-	-	-	1,589
Due from/to customers on construction contracts	-	2,002	-	1,479
Inventories	(629)	526	330	607
Receivables	(104)	(252)	3,899	(1,617)
Payables	(2,220)	(884)	(7,517)	(1,830)
Currency translation adjustments	192	-	(232)	-
Cash (used in)/generated from operations	(399)	3,487	470	3,576
Interest received	-	1	1	19
Income tax paid	(4)	(457)	(131)	(478)
Net cash (used in)/generated from operating activities	(403)	3,031	340	3,117
Cash flows from investing activities:				
Proceeds from disposal of available-for-sale financial assets	-	1	-	13
Proceeds from disposal of property, plant and equipment	290	54	406	1,303
Payment for settlement of derivative financial instruments	(18)	(95)	(17)	(95)
Purchase of property, plant and equipment	(228)	(3,739)	(1,075)	(4,533)
Net cash generated from/(used in) investing activities	44	(3,779)	(686)	(3,312)
Cash flows from financing activities:				
Drawdown of borrowings	5,450	4,193	7,500	4,394
Interest paid	(362)	(330)	(725)	(616)
Repayment of borrowings	(4,746)	(754)	(5,265)	(2,105)
Repayment of hire purchase payables	(93)	(614)	(200)	(1,390)
Net cash generated from financing activities	249	2,495	1,310	283
Net (decrease)/increase in cash and cash equivalents	(110)	1,747	964	88
Cash and cash equivalents at beginning of financial period	3,814	541	2,792	2,208
Effect of exchange rate changes on cash and cash equivalents	83	8	31	-
Cash and cash equivalents at end of financial period	3,787	2,296	3,787	2,296

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	Group	
	30 June 2016 \$'000	30 June 2015 \$'000
Cash and cash equivalents on the statement of financial position	38,051	36,697
Fixed deposits pledged	(32,843)	(33,060)
Bank overdrafts	(1,421)	(1,341)
Cash and cash equivalents per consolidated statement of cash flows	3,787	2,296

1. (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Group:					
Balance at 1 January 2015	68,323	21	17,771	10,451	96,566
Loss for the period	-	-	-	(825)	(825)
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(1,440)	-	(1,440)
Currency translation difference reclassified to profit or loss upon liquidation of a subsidiary	-	-	(7)	-	(7)
Fair value loss on available-for-sale financial assets	-	-	(5)	-	(5)
Other comprehensive loss for the period, net of tax	-	-	(1,452)	-	(1,452)
Total comprehensive loss for the period	-	-	(1,452)	(825)	(2,277)
Balance at 30 June 2015	68,323	21	16,319	9,626	94,289
Balance at 1 January 2016	68,323	13	16,051	8,419	92,806
Profit for the period	-	-	-	774	774
Other comprehensive income/(loss):					
Currency translation differences arising from consolidation	-	-	441	-	441
Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Other comprehensive income for the period, net of tax	-	-	440	-	440
Total comprehensive income for the period	-	-	440	774	1,214
Balance at 30 June 2016	68,323	13	16,491	9,193	94,020

Company:	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated profits/ (losses) \$'000	Total equity \$'000
Balance at 1 January 2015	68,323	21	6	3,402	71,752
Profit for the period	-	-	-	44	44
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Total comprehensive (loss)/income for the period	-	-	(1)	44	43
Balance at 30 June 2015	<u>68,323</u>	<u>21</u>	<u>5</u>	<u>3,446</u>	<u>71,795</u>
Balance at 1 January 2016	68,323	13	2	(4,414)	63,924
Profit for the period	-	-	-	67	67
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Total comprehensive (loss)/income for the period	-	-	(1)	67	66
Balance at 30 June 2016	<u>68,323</u>	<u>13</u>	<u>1</u>	<u>(4,347)</u>	<u>63,990</u>

- 1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the period under review, there is no change in the Company's share capital. No share options was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 June 2016, a total of 14,465 (30 June 2015: 16,133) share options representing approximately 0.03% (30 June 2015: 0.03%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 30 June 2016 (30 June 2015: Nil).

- 1. (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 June 2016 is 52,066,937 shares (31 December 2015: 52,066,937 shares).

- 1. (d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 June 2016.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as on the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2016. The adoption of the new and revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior periods.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	2Q 2016 Ended 30 June 2016	2Q 2015 Ended 30 June 2015 (Restated)	1H 2016 Ended 30 June 2016	1H 2015 Ended 30 June 2015 (Restated)
Profit/(loss) attributable to equity holders of the Company	\$'000 137	\$'000 (353)	\$'000 774	\$'000 (825)
Weighted average number of ordinary shares in issue	'000	'000	'000	'000
- Basic weighted average	52,067	52,067	52,067	52,067
- Fully diluted weighted average	52,067	52,076	52,067	52,077

Basic earnings/(loss) per share is calculated based on the Group's profit/(loss) for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings/(loss) per share is calculated based on the Group's profit/(loss) for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares arising from the share options.

	Group			
	2Q 2016 Ended 30 June 2016	2Q 2015 Ended 30 June 2015 (Restated)	1H 2016 Ended 30 June 2016	1H 2015 Ended 30 June 2015 (Restated)
Basic earnings/(loss) per share	cents 0.26	cents (0.68)	cents 1.49	cents (1.58)
Diluted earnings/(loss) per share	0.26	(0.68)	1.49	(1.58)

On 23 July 2015, the Company completed a share consolidation of every 15 existing issued ordinary shares into 1 consolidated ordinary share. The basic and fully diluted weighted average number of ordinary shares in issue for 2015 Q2 and 1H 2015 have been restated to reflect the share consolidation.

7. **Net asset value (for the issuer and the group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	\$	\$	\$	\$
Net asset value per ordinary share	1.81	1.78	1.23	1.23

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: - (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of comprehensive income

The Group generated revenue of \$15.4 million in 2016 Q2, a 21% decrease as compared to 2015 Q2. The decrease was mainly due to no revenue generated from construction activities in the reporting period as construction project had been completed in 2015 Q4.

The gross profit margin of the Group of 2016 Q2 was 20% as compared to 14% in 2015 Q2 mainly due to write-back of provision of costs upon finalisation of sub-contractors' claims of completed construction projects.

Other income decreased by 9% from \$0.8 million in 2015 Q2 to \$0.7 million in 2016 Q2 due to lower income generated from interest on fixed deposits, rental income and sundry income and offset by increase in gain on disposal of property, plant and equipment.

General and administrative expenses decreased by 9% from \$3.6 million in 2015 Q2 to \$3.3 million in 2016 Q2 mainly due to lower impairment loss on available-for-sale financial assets (\$0.2 million) and lower staff costs (\$0.4 million).

Other general and administrative expenses were, in general, lower than 2015 Q2, except foreign exchange loss increased by \$0.3 million, due to lower activities in construction segment during the reporting period.

Finance costs of the Group increased by 8% from \$329K in 2015 Q2 to \$356K in 2016 Q2 due to higher bank borrowings utilised during the reporting period.

The Group reported profit before tax of \$0.1 million (2015 Q2: loss of \$0.4 million).

After taking into consideration of accounting and tax factors, there is a tax credit of \$52K reported in 2016 Q2 mainly due to reversal of tax over-provided in prior years and deferred tax liabilities recognised in prior years.

Profit for the period of the Group was \$0.1 million in 2016 Q2 as compared to loss of \$0.4 million in 2015 Q2.

Other comprehensive loss was \$0.4 million in 2016 Q2 mainly resulted from unfavourable foreign currency movements in foreign subsidiaries.

The Group reported total comprehensive loss of \$0.3 million in 2016 Q2 (2015 Q2: total comprehensive loss of \$1.2 million).

Statement of financial position

Non-current assets of the Group increased by approximately \$0.6 million from \$86.9 million as at 31 December 2015 to \$87.5 million as at 30 June 2016 mainly attributable to property, plant and equipment purchased for precast segment of \$2.5 million which was mitigated by depreciation of \$2.2 million and retention money withheld by customers on on-going prefabrication projects (\$0.3 million).

Current assets of the Group decreased by approximately \$5.0 million from \$104.4 million as at 31 December 2015 to \$99.4 million as at 30 June 2016. Development properties increased by \$0.4 million due to favourable exchange difference on properties held by foreign subsidiaries. Inventories decreased by \$0.3 million. Trade receivables decreased by \$3.7 million largely due to debts collected from completed construction and prefabrication projects. Other receivables decreased by \$1.1 million mainly due to transfer of deposits paid to property, plant and equipment and amortisation of prepaid expenses.

Total liabilities of the Group decreased by \$5.6 million from \$98.5 million as at 31 December 2015 to \$92.9 million as at 30 June 2016. Payables decreased by \$7.5 million mainly due to settlements of sub-contractors' final accounts of completed construction projects and payments of accrued expenses. This was partially offset against increase in borrowings of \$2.2 million due to loan restructuring of a subsidiary and property, plant and equipment purchased under hire purchase arrangements.

The net assets of the Group increased by \$1.2 million and recorded at \$94.0 million as at 30 June 2016 due to total comprehensive income reported during the first half of 2016.

Statement of cash flows

In 2016 Q2, the Group recorded net cash used in operating activities of approximately \$0.4 million, which was a result of operating cash flows before changes in working capital of \$2.4 million and net working capital outflow of approximately \$2.1 million. The working capital outflows were mainly due to increase in inventories and receivables (\$0.6 million and \$0.1 million respectively) and a decrease in operating payables (\$2.2 million). These were partially offset by currency translation adjustments for operating assets and liabilities held in foreign subsidiaries (\$0.2 million).

Net cash generated from investing activities amounted to \$44K, which was largely due to gain on disposals of property, plant and equipment in construction segment (\$290K). It used \$228K in purchasing of property, plant and equipment to increase production capacity of precast segment and \$18K to settle matured derivative financial instruments.

The Group obtained net cash of \$0.2 million from bank borrowings to finance its operating activities.

As a result of the above, the cash and cash equivalents of the Group decreased by \$0.1 million in 2016 Q2 and stood at \$3.8 million as at 30 June 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's actual results are in line with the commentary under paragraph 10 of the Group's previous results announcement (2016 first quarter financial statements announcement).

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Going forward, we can expect intense competition on public housing projects, and which will have an adverse impact on the profitability of these projects.

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year.

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable.

Not applicable.

(d) Books closure date.

Not applicable.

(e) Total cumulative dividend (net).

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the financial period reported on.

13. Interest person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
NIL	NIL	NIL

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
12 August 2016

CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its directors and executive officers in the revised format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

STATEMENT PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the period ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR DENNIS AW KHOON HWEE
EXECUTIVE CHAIRMAN/CEO

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

12 August 2016