



HOR KEW CORPORATION LIMITED
(Company Registration No. 199903415K)

Interim financial statements

For the six months ended 30 June 2022

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HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARIES

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	The Group		
		6 months ended 30 June 2022	6 months ended 30 June 2021	Increase/ (Decrease)
		\$'000	\$'000	%
Revenue	4	31,244	29,216	7
Cost of sales	6	(21,297)	(23,301)	(9)
Gross profit		9,947	5,915	56
Interest income		59	69	(14)
Other income	6	1,600	1,578	1
Expenses				
General and administrative expenses	6	(5,220)	(3,705)	41
Finance costs		(541)	(698)	(22)
Net impairment loss of financial and contract assets	6	(2,280)	(560)	NM
Profit before taxation		3,565	2,599	37
Tax (expense)/credit	7	(684)	4	NM
Profit for the period		2,881	2,603	10
Other comprehensive (loss)/income:				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Currency translation differences arising from consolidation		(340)	(195)	74
<u>Items that will not be reclassified subsequently to profit or loss:</u>				
Fair value loss on financial assets at fair value through other comprehensive income		(1)	-	NM
Other comprehensive loss for the period, net of tax		(341)	(195)	75
Total comprehensive income for the period		2,540	2,408	5
Earnings per share				
Basic (SGD in cent)		5.53	5.00	11
Diluted (SGD in cent)		5.53	5.00	11

NM Not meaningful

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARIES

B. Condensed interim statements of financial position

	Note	The Group		The Company	
		30 June 2022 \$'000	31 December 2021 \$'000	30 June 2022 \$'000	31 December 2021 \$'000
Non-current assets					
Property, plant and equipment	11	38,461	39,129	5	10
Investment properties	12	40,681	40,681	-	-
Investment in subsidiary companies		-	-	59,185	59,185
Trade receivables		5,575	7,213	-	-
Insurance asset		565	564	-	-
Deferred tax assets		426	426	-	-
Total non-current assets		85,708	88,013	59,190	59,195
Current assets					
Development properties		18,157	18,652	-	-
Inventories		9,930	9,231	-	-
Trade receivables		19,411	13,232	-	-
Other receivables		1,051	1,008	22,056	21,196
Contract assets	5	2,597	986	900	1,597
Financial assets at fair value through other comprehensive income	10	9	11	9	10
Cash and cash equivalents		23,165	25,808	19	134
Total current assets		74,320	68,928	22,984	22,937
Total assets		160,028	156,941	82,174	82,132
Non-current liabilities					
Borrowings	13	29,453	33,727	-	-
Deferred tax liabilities		1,996	2,003	-	-
Total non-current liabilities		31,449	35,730	-	-
Current liabilities					
Trade payables		18,584	20,246	-	-
Other payables		3,982	4,226	37,933	38,145
Contract liabilities	5	4,239	406	-	-
Borrowings	13	33,425	31,197	-	6
Provisions		129	132	-	-
Tax payables		1,410	730	68	68
Total current liabilities		61,769	56,937	38,001	38,219
Total liabilities		93,218	92,667	38,001	38,219
Net assets		66,810	64,274	44,173	43,913
Equity					
Share capital	14	68,323	68,323	68,323	68,323
Other reserves		(6,880)	(6,539)	(3)	(3)
Accumulated profits/(losses)		5,367	2,490	(24,147)	(24,407)
Total equity		66,810	64,274	44,173	43,913

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C. Condensed interim statements of changes in equity

The Group	Share capital \$'000	Other reserves \$'000	Accumulated (losses)/profits \$'000	Total equity \$'000
Balance at 1 January 2022	68,323	(6,539)	2,490	64,274
Profit for the period	-	-	2,877	2,877
Other comprehensive loss, net of tax:				
Currency translation differences arising from consolidation	-	(340)	-	(340)
Fair value loss on financial assets at fair value through other comprehensive income		(1)		(1)
Total comprehensive (loss)/income for the period	-	(341)	2,877	2,536
Balance at 30 June 2022	68,323	(6,880)	5,367	66,810
Balance at 1 January 2021	68,323	(6,340)	(1,532)	60,451
Profit for the period	-	-	2,603	2,603
Other comprehensive loss, net of tax:				
Currency translation differences arising from consolidation	-	(195)	-	(195)
Total comprehensive (loss)/income for the period	-	(195)	2,603	2,408
Balance at 30 June 2021	68,323	(6,541)	1,071	62,853
The Company	Share capital \$'000	Other reserves \$'000	Accumulated (losses)/profits \$'000	Total equity \$'000
Balance at 1 January 2022	68,323	(3)	(24,407)	43,913
Total comprehensive income for the period	-	-	260	260
Balance at 30 June 2022	68,323	(3)	(24,147)	44,173
Balance at 1 January 2021	68,323	3	(43,981)	24,345
Total comprehensive loss for the period	-	(4)	(635)	(639)
Balance at 30 June 2021	68,323	(1)	(44,616)	23,706

D. Condensed interim consolidated statement of cash flows

	The Group	
	6 months ended 30 June 2022 \$'000	6 months ended 30 June 2021 \$'000
Cash flows from operating activities:		
Profit/(loss) before tax	3,565	2,599
Adjustments for:		
Depreciation of property, plant and equipment	2,807	2,811
Fair value loss/(gain) on derivative financial instruments	-	(237)
(Gain)/loss on disposal of property, plant and equipment	(291)	(67)
Interest expense	541	698
Interest income from fixed deposits	(59)	(69)
Unrealised gain on foreign exchange	226	(228)
Operating cash flows before working capital changes	6,789	5,507
Changes in operating assets and liabilities:		
Inventories	(614)	1,106
Receivables	(4,575)	(9,920)
Contract assets	(1,612)	(3,513)
Contract liabilities	3,833	1,965
Payables	(1,910)	7,506
Currency translation adjustments	389	216
Cash used in operations	2,300	2,867
Income tax refunded	(11)	7
Net cash generated from operating activities	2,289	2,874
Cash flows from investing activities:		
Loan given to third party	-	931
Proceeds from disposal of property, plant and equipment	655	311
Purchase of property, plant and equipment	(2,823)	(1,666)
Net cash used in investing activities	(2,168)	(424)
Cash flows from financing activities:		
Drawdown of borrowings	291	6,433
Interest paid	(452)	(698)
Repayment of borrowings	(2,362)	(14,697)
Repayment of hire purchase payables	(89)	(230)
Decrease of fixed deposits pledged	-	6,700
Net cash used in financing activities	(2,612)	(2,492)
Net decrease in cash and cash equivalents	(2,491)	(42)
Cash and cash equivalents at beginning of financial period	5,834	2,703
Effect of exchange rate changes on cash and cash equivalents	(81)	(45)
Cash and cash equivalents at end of financial period	3,262	2,616
Cash and cash equivalents are represented by:		
	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Cash and cash equivalents on the consolidated statement of financial position	23,165	22,812
Fixed deposits pledged	(19,903)	(20,196)
Cash and cash equivalents per consolidated statement of cash flows	3,262	2,616

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Hor Kew Corporation Limited (the "Company") (Co. Reg. No. 199903415K) is domiciled and incorporated in Singapore as a private limited liability company on 18 June 1999. It was converted to a public company on 29 March 2000 and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is that of investment holding.

The principal activities of the Group are:

- (a) Design, manufacture and sale of prestressed and precast reinforced concrete building components
- (b) Design, manufacture and sale of prefabricated architectural metal components
- (c) Property investment and development
- (d) Investment holding
- (e) Rental of machinery

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to SFRS(I)s have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses were not affected significantly by seasonal or cyclical factors during the financial period.

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4. Segment information

The Group is organised into the following main business segments:

- (i) The property investment and development segment is involved in the development, sales and leasing of residential, commercial and industrial properties;
- (ii) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor;
- (iii) The prefabrication segment is in the business of design, manufacture and sales of prestressed and reinforced concrete building components as well as prefabricated architectural metal components; and
- (iv) The others segment comprises mainly the Group level corporate services and treasury functions

These operating segments are reported in a manner consistent with internal reporting provided to the management who will then allocate resources and assess performance of the operating segments.

4.1 Reportable segments

1 January 2022 to 30 June 2022

	Property investment and development \$'000	Construction \$'000	Prefabrication \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue						
Sales to external customers	-	-	31,244	-	-	31,244
Inter-segment sales	-	-	-	900	(900)	-
Total revenue	-	-	31,244	900	(900)	31,244
Segment (loss)/profit	(168)	(193)	3,668	258	-	3,565
Tax expense						(684)
Profit for the period						2,881
Segment assets	75,035	5,870	70,243	8,880	-	160,028
Segment liabilities	25,538	17,939	47,931	1,810	-	93,218

1 January 2021 to 30 June 2021

	Property investment and development \$'000	Construction \$'000	Prefabrication \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue						
Sales to external customers	-	-	29,216	-	-	29,216
Inter-segment sales	-	-	-	-	-	-
Total revenue	-	-	29,216	-	-	29,216
Segment profit/(loss)	55	(67)	2,929	(637)	(319)	2,599
Tax credit						4
Profit for the period						2,603
Segment assets	106,710	27,780	82,769	57,216	(106,263)	168,212
Segment liabilities	92,176	32,468	87,157	32,520	(138,962)	105,359

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4.2 Geographical information (excluding non-current trade receivables)

	Revenues 6 months ended 30 June 2022 \$'000	Non-current assets 30 June 2022 \$'000
Singapore	31,244	62,942
Malaysia	-	16,200
Total	31,244	80,396
	6 months ended 30 June 2021 \$'000	30 June 2021 \$'000
Singapore	29,210	64,803
Malaysia	-	16,756
Total	29,210	81,559

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities held by the Group as at 30 June 2022 and 31 December 2021:

	The Group		The Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	\$	\$	\$	\$
Financial assets				
Contract assets	2,597	986	900	1,597
Financial assets at fair value through other comprehensive income	9	11	9	10
Financial liabilities				
Contract liabilities	4,239	406	-	-

The Group receives payments from customers based on a billing schedule, as established in contracts. In this case, the Group's contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's prefabrication business. The Group's contract assets also include advance payments made to suppliers. The Company's contract assets relate to management service performed but not billed to subsidiaries at the reporting date.

Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

Fair value measurements for financial assets and financial liabilities are explained in note 10.

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6. Profit before taxation

6.1. Significant items

	The Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	\$'000	\$'000
Income		
Rental income	348	750
Sales of scrap metal	359	94
Expenses		
Impairment loss on trade receivables	2,280	560
Depreciation of property, plant and equipment	2,806	2,852
Directors' fees	84	52
Foreign exchange loss	235	170
Staff costs	4,254	3,208

6.2. Related party transactions

There were no material related party transactions apart from those disclosed elsewhere.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense/(credit) in the condensed interim consolidated statement of profit or loss are:

	6 months ended 30 June 2022	6 months ended 30 June 2021
	\$'000	\$'000
Income tax expense (current year)	692	13
Income tax credit (overprovision in respect of prior years)	(1)	(4)
Deferred tax credit (current year)	(7)	(13)
	684	(4)

8. Dividend

No dividend has been declared or recommended for the period ended 30 June 2022 (31 December 2021: nil).

9. Net Asset Value

	The Group		The Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	\$	\$	\$	\$
Net asset value per ordinary share	1.28	1.23	0.85	0.84

10. Financial assets at fair value through other comprehensive income

This represents quoted equity securities listed in Singapore which are not held for trading. Accordingly, management has elected to designate this investment in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold this investment for long-term purposes.

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11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to \$2.9 million (30 June 2021: \$1.7 million) and disposed of assets amounting to \$0.3 million (30 June 2021: \$0.2 million).

12. Investment properties

The Group's investment properties consist of both industrial, residential and commercial properties, held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

The investment properties held by the Group at the end of each reporting period were as follows:

Property type	Tenure	30 June 2022	31 December 2021
		\$'000	\$'000
Commercial	70 years from 1993	1,219	1,219
Industrial	Freehold	34,162	34,162
Residential	Freehold	5,300	5,300
		40,681	40,681

12.1 Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the property's highest and best use. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between the management and the independent valuers annually.

The last valuation of each investment property was conducted as at 31 December 2021.

13. Borrowings

	The Group		The Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	\$'000	\$'000	\$'000	\$'000
<u>Amount repayable within one year, or on demand</u>				
Secured	33,425	31,197	-	6
Unsecured	-	-	-	-
<u>Amount repayable after one year</u>				
Secured	29,453	33,727	-	-
Unsecured	-	-	-	-

Details of collaterals

Secured borrowings are collateralised by:

- (1) Certain subsidiary companies of the Group have pledged their assets for the borrowings;
- (2) First legal mortgages over 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 have been given by the Company to secure borrowings of certain subsidiary companies.

14. Share capital

During the period under review, there was no change in the Company's share capital. The total number of issued shares as at 30 June 2022 was 52,066,937 shares (31 December 2021: 52,066,937 shares).

The Company did not hold any treasury shares nor share options as at 30 June 2022 and 31 December 2021.

The Company's subsidiaries did not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

15. Subsequent events

There were no known subsequent events which have led to adjustments to this set of interim financial statements.

OTHER INFORMATION

16. Review

The condensed consolidated statement of financial position of Hor Kew Corporation Limited and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

17. Review of performance of the Group

Statement of comprehensive income

Revenue of the Group increased from \$29.2 million in the six months ended 30 June 2021 ("1H 2021") to \$31.2 million in the six months ended 30 June 2022 ("1H 2022") due to higher level of prefabrication activities.

The Group achieved a higher gross profit of \$9.9 million in 1H 2022 compared to gross profit of \$5.9 million in 1H 2021 mainly due to the higher revenue in 1H 2022 and better gross profit margins of newer projects.

Other income of the Group remained around same level in 1H 2022 as 1H 2021 at \$1.6 million.

General and administrative expenses increased from \$3.7 million in 1H 2021 to \$5.2 million in 1H 2022, mainly due to increase in staff costs of \$1.1 million.

Profit before tax of the Group was reported at \$3.6 million for 1H 2022 which was higher than the \$2.6 million for 1H 2021.

The Group recorded a tax expense of \$0.7 million in 1H 2022 (1H 2021: tax credit of \$4,000) after reviewing its current tax status.

After taking into consideration of the above, the Group recorded profit after tax of \$2.9 million in 1H 2022 (1H 2021: \$2.6 million).

There was a currency translation loss arising from consolidation of \$340,000 in 1H 2022 (1H 2021: \$195,000) due to net investments in subsidiary companies operating in foreign countries.

Total comprehensive income of the Group was recorded at \$2.5 million in 1H 2022 (1H 2021: \$2.4 million).

Statement of financial position

Non-current assets decreased from \$88.0 million as at 31 December 2021 to \$85.7 million as at 30 June 2022, mainly due to decrease in non-current trade receivables which were retention sums due from customers.

Current assets increased by \$5.4 million mainly because of increase in current trade receivables of \$6.2 million, partially offset by decrease in development properties of \$0.5 million.

Total assets of the Group increased from \$156.9 million as at 31 December 2021 to \$160.0 million as at 30 June 2022.

Non-current borrowings decreased by \$4.2 million while current borrowings increased by \$2.2 million.

Trade payables decreased by \$1.6 million mainly due to cash flow management.

Total liabilities of the Group increased slightly from \$92.7 million as at 31 December 2021 to \$93.2 million as at 30 June 2022.

The net assets of the Group recorded as at 30 June 2022 was \$66.8 million, an increase of \$2.5 million from 31 December 2021 mainly due to profits earned in the period.

Statement of cash flows

The Group generated net cash of \$2.3 million from its operating activities in 1H 2022.

It used \$2.2 million in investing activities mainly for purchasing of property, plant and equipment.

It used \$2.6 million in financing activities mainly due to repayment of loans.

Overall, the Group used \$2.5 million in 1H 2022, and the cash and cash equivalents stood at \$3.3 million as at 30 June 2022.

18. 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 of the Group's previous results announcement (2021 full year financial statements announcement) released on 1 March 2022.

19. A commentary at the date of the 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 operating period and the next 12 months.

The construction industry demand in Singapore is expected to recover to pre-COVID-19 levels and the Group expects this to boost its revenue. However, inflationary cost pressures of staff and raw materials may erode the Group's future profit margins. The Group will closely monitor its financial results and cash flow position, and timely carry out necessary improvements or corrective actions.

20. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

There were no interested person transactions for the six-month period ended 30 June 2022.

21. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format as set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
12 August 2022

Confirmation by the Board

Pursuant to Rule 705(5) of the Listing Manual, on behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that, to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

MR BENJAMIN AW CHI-KEN
EXECUTIVE CHAIRMAN & CEO

MS ELICIA AW YING YING
EXECUTIVE DIRECTOR

Singapore
12 August 2022