



HOR KEW CORPORATION LIMITED
(Reg. No. 199903415K)

2019 First-Quarter 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 FIRST-QUARTER ENDED 31 MARCH 2019

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the first-quarter ended 31 March 2019.

	Group		
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018	% Variance
	\$'000	\$'000	+ / (-)
Revenue	14,403	9,627	50
Cost of sales	(14,484)	(10,608)	37
Gross loss	(81)	(981)	(91)
Interest income from fixed deposits	124	114	9
Other income	665	553	20
	708	(314)	NM
Expenses:			
General and administrative expenses	1,897	2,733	(31)
Finance costs	485	297	63
Interest expense on leases	8	-	NM
Net impairment losses on financial and contract assets	425	(7)	NM
	2,815	3,023	(7)
Loss before tax	(2,107)	(3,337)	(37)
Tax (expense)/credit	(42)	26	NM
Loss for the period	(2,149)	(3,311)	(35)
Other comprehensive income:-			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	58	467	(88)
Other comprehensive income for the period, net of tax	58	467	(88)
Total comprehensive loss for the period	(2,091)	(2,844)	NM
Loss per share			
Basic (cents)	(4.13)	(6.36)	NM
Diluted (cents)	(4.13)	(6.36)	NM

NM Not meaningful

Notes:

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

	Group		
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018	% Variance
	\$'000	\$'000	+ / (-)
Foreign exchange gain	91	-	NM
Rental income	388	303	28
Sales of scrap materials	93	100	(7)
Sundry income	93	150	(44)

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

	Group		
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018	% Variance
	\$'000	\$'000	+ / (-)
Depreciation of property, plant and equipment	1,568	1,261	24
Depreciation of right-of-use assets	94	-	NM
Directors' fee	26	26	-
Fair value gain on derivative financial instruments	(107)	-	NM
Impairment loss on trade receivables	425	-	NM
Loss on foreign exchange	-	510	NM
Loss on disposal of property, plant and equipment	47	4	NM
Operating lease expense	303	162	87
Write-back of impairment loss on trade receivables	-	(7)	NM
Staff costs	2,496	2,642	(6)

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

	Group		
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018	% Variance
	\$'000	\$'000	+ / (-)
Income tax:			
- current year	1	9	(89)
- over provision in respect of prior years	-	10	NM
	1	19	(95)
Deferred tax:			
- current year	(43)	7	NM
	(42)	26	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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Non-current assets				
Property, plant and equipment	45,083	45,635	209	230
Investment properties	34,722	34,723	-	-
Investment in subsidiary companies	-	-	34,207	34,261
Right-of-use assets	1,305	-	504	-
Trade receivables	5,532	5,544	-	-
	86,642	85,902	34,920	34,491
Current assets				
Development properties	19,095	18,957	-	-
Completed development properties held for sale	3,384	3,384	-	-
Inventories	7,877	8,062	-	-
Trade receivables	19,198	19,301	-	-
Other receivables	1,398	1,141	17,206	14,970
Contract assets	472	472	-	1,090
Financial assets at fair value through other comprehensive income	18	18	17	17
Cash and cash equivalents	30,147	30,947	18	46
	81,589	82,282	17,241	16,123
Total assets	168,231	168,184	52,161	50,614
Non-current liabilities				
Borrowings	31,476	31,789	-	-
Hire purchase payables	360	164	-	-
Lease liability	916	-	344	-
Deferred tax liabilities	2,511	2,468	-	-
	35,263	34,421	344	-
Current liabilities				
Trade payables	25,787	26,147	-	-
Other payables	4,400	3,809	27,319	25,668
Contract liabilities	4,648	4,648	-	-
Borrowings	34,156	32,752	-	-
Hire purchase payables	662	677	71	77
Lease liability	392	-	160	-
Provisions	5,408	6,017	-	-
Derivative financial instruments	154	261	-	-
Tax payables	232	232	220	220
	75,839	74,546	27,770	25,965
Total liabilities	111,102	108,964	28,114	25,965
Net assets	57,129	59,220	24,047	24,649
Equity				
Share capital	68,323	68,323	68,323	68,323
Other reserves	(6,281)	(6,379)	4	4
Accumulated losses	(4,913)	(2,764)	(44,280)	(43,678)
Total equity	57,129	59,220	24,047	24,649

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 31/03/2019 (\$'000)		As at 31/12/2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
34,818	-	33,429	-

(b) Amount repayable after one year

As at 31/03/2019 (\$'000)		As at 31/12/2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
31,836	-	31,953	-

Details of collaterals:

- (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 given by the Company to secure borrowings of certain subsidiary companies.

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 \$'000	
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018
Cash flows from operating activities:		
Loss before tax	(2,107)	(3,337)
Adjustments for:		
Depreciation of property, plant and equipment	1,568	1,261
Fair value loss on derivative financial instruments	(107)	-
Loss on disposal of property, plant and equipment	47	4
Interest expense	486	297
Interest income	(124)	(114)
Unrealised (gain)/loss on foreign exchange	(33)	890
Operating cash flows before working capital changes	(270)	(999)
Changes in operating assets and liabilities:		
Development properties and completed development properties held for sale	-	1,364
Inventories	185	(235)
Receivables	(142)	3,441
Payables	(411)	166
Currency translation adjustments	(211)	(368)
Cash generated from operations	(849)	2,005
Income tax refunded/(paid)	1	19
Net cash (used in)/generated from operating activities	(848)	2,024
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	-	17
Purchase of property, plant and equipment	(626)	(750)
Net cash used in investing activities	(626)	(733)
Cash flows from financing activities:		
Drawdown of borrowings	3,659	1,213
Interest paid	(454)	(279)
Repayment of borrowings	(2,410)	(1,018)
Repayment of hire purchase payables	(130)	(104)
Net cash generated from/(used in) from financing activities	665	(188)
Net decrease in cash and cash equivalents	(809)	(1,103)
Cash and cash equivalents at beginning of financial period	4,587	4,728
Effect of exchange rate changes on cash and cash equivalents	22	17
Cash and cash equivalents at end of financial period	3,800	5,848

Cash and cash equivalents are represented by:-

	As at 31 March 2019 \$'000	As at 31 March 2018 \$'000
Cash and cash equivalents on the consolidated statement of financial position	30,147	30,565
Fixed deposits pledged	(26,347)	(24,544)
Bank overdrafts	-	(173)
Cash and cash equivalents per consolidated statement of cash flows	3,800	5,848

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital \$'000	Other reserves \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
Group:				
Balance at 1 January 2018 (restated)	68,323	(6,377)	30,833	92,779
Loss for the period	-	-	(3,311)	(3,311)
Other comprehensive income:				
Currency translation differences arising from consolidation	-	467	-	467
Total comprehensive (loss)/income for the period	-	467	(3,311)	(2,844)
Balance at 31 March 2018 (restated)	68,323	(5,910)	27,522	89,935
Balance at 1 January 2019	68,323	(6,339)	(2,764)	59,220
Loss for the period	-	-	(2,149)	(2,149)
Other comprehensive income:				
Currency translation differences arising from consolidation	-	58	-	58
Total comprehensive income/(loss) for the period	-	58	(2,149)	(2,091)
Balance at 31 March 2019	68,323	(6,281)	(4,913)	57,129
	Share capital \$'000	Other reserves \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
Company:				
Balance at 1 January 2018	68,323	7	1,330	69,660
Total comprehensive income for the period	-	-	20	20
Balance at 31 March 2018	68,323	7	1,350	69,680
Balance at 1 January 2019	68,323	4	(43,678)	24,649
Total comprehensive loss for the period	-	-	(603)	(603)
Balance at 31 March 2019	68,323	4	(44,281)	24,046

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

The Company did not hold any share options, treasury shares nor subsidiary holdings as at 31 March 2019 (31 March 2018: 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 31 March 2019 is 52,066,937 shares (31 December 2018: 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, cancellation and/or use of treasury shares as at current financial period ended 31 March 2019.

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

There was no sale, transfer, cancellation and/or use of subsidiary holdings as at current financial period ended 31 March 2019.

- 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 2018.

- 5. If there are any changes its 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.**

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group had adopted the new standard on the required effective date using the modified retrospective approach.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At 1 January 2019, the Group has recognised right-of-use assets and lease liability of \$1.4 million respectively.

Except for the above, there are no other new SFRS(I) with significant changes to the accounting policies of the Group and the Company nor any 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.

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following:

	Group	
	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018
	\$'000	\$'000
	'000	'000
Loss for the period attributable to equity holders of the Company	(2,149)	(3,311)
Weighted average number of ordinary shares in issue		
- Basic weighted average	52,067	52,067
- Fully diluted weighted average	52,067	52,067

Basic loss per share is calculated based on the Group's 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 loss per share is calculated based on the Group's 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.

	1Q 2019 Ended 31 March 2019	1Q 2018 Ended 31 March 2018
	Cents	Cents
(i) Basic loss per share	(4.13)	(6.36)
(ii) Diluted loss per share	(4.13)	(6.36)

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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	\$	\$	\$	\$
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	1.10	1.14	0.46	0.47

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

Revenue of the Group increased by \$4.8 million from \$9.6 million in 1Q 2018 to \$14.4 million in 1Q 2019, mainly due to increased volume in our prefabrication activities.

The Group suffered a slight gross margin of \$81,000 in 1Q 2019 compared to a gross loss of \$1.0 million in 1Q 2018.

Other income of the Group increased from \$0.6 million in 1Q 2018 to \$0.7 million in 1Q 2019, mainly due to \$91,000 of foreign exchange gain.

General and administrative expenses decreased from \$2.7 million in 1Q 2018 to \$1.9 million in 1Q 2019 mainly due to \$0.5 million foreign exchange loss in 1Q 2018 but nil in 1Q 2019.

Loss before tax of the Group was reported at \$2.1 million for 1Q 2019, compared to loss before tax of \$3.3 million for 1Q 2018.

The Group recorded a tax expense of \$42,000 in 1Q 2019 (1Q 2018: tax credit of \$26,000) after reviewing its current tax status.

After taking into consideration of the above, the Group recorded loss after tax of \$2.1 million in 1Q 2019 (1Q 2018: loss after tax of \$3.3 million).

There was a currency translation gain arising from consolidation of \$58,000 in 1Q 2019 (1Q 2018: currency translation gain of \$0.5 million) due to net investments in subsidiary companies operating in foreign countries.

Total comprehensive loss of the Group was recorded at \$2.1 million in 1Q 2019 (1Q 2018: total comprehensive loss of \$2.8 million).

Statement of financial position

Total assets of the Group as at 31 March 2019 remained at same level as 31 December 2018 at \$168.2 million.

Property, plant and equipment decreased by \$0.5 million mainly due to depreciation charged during the reporting period.

Non-current trade receivables as of 31 March 2019 remained at roughly the same level as 31 December 2018 at \$5.5 million.

Current trade receivables decreased slightly by \$0.1 million from 31 December 2018 to 31 March 2019.

Other receivables increased by \$0.3 million mainly due to increase in deposits and prepayments.

Total liabilities of the Group increased by \$2.1 million from \$109.0 million as at 31 December 2018 to \$111.1 million as at 31 March 2019, mainly due to \$1.4 million increase in borrowings and \$1.3 million increase in lease liability, partially offset by \$0.6 million decrease in provision for onerous contracts.

The net assets of the Group recorded as at 31 March 2019 was \$57.1 million.

Statement of cash flows

The Group used net cash of \$0.8 million from its operating activities in 1Q 2019.

It used \$0.6 million in investing activities for purchasing of property, plant and equipment.

It generated \$0.7 million in financing activities mainly from drawdown of loans.

Overall, the cash position of the Group was reduced by \$0.8 million in 1Q 2019, and the cash and cash equivalents stood at \$3.8 million as at 31 March 2019.

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 (2018 full year financial statements announcement) released on 1 March 2019.

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.

Business environment remains challenging. The construction sector in Singapore has been in the doldrums in recent years and is facing great pricing pressure. The Group will remain focus on cost efficiency, increase productivity in executing its on-going projects and refrain from tendering for new projects of low margins.

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on? No.

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

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(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 or recommended for the period ended 31 March 2019.

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)
Triton Metal Supplies Pte Ltd	\$390,000	NIL

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
15 May 2019

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 31 March 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

MS ELICIA AW YING YING
EXECUTIVE DIRECTOR

15 May 2019