



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

2018 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 2018

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 June 2018.

	Group					
	2Q 2018	2Q 2017	% Variance	1H 2018	1H 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	12,235	16,931	(28)	21,862	32,500	(33)
Cost of sales	(12,769)	(14,536)	(12)	(23,377)	(27,913)	(16)
Gross (loss)/profit	(534)	2,395	NM	(1,515)	4,587	NM
Other income	763	566	35	1,430	1,367	5
	229	2,961	NM	(85)	5,954	NM
Expenses						
General and administrative expenses	3,485	2,526	38	6,211	4,620	34
Finance costs	376	286	31	673	566	19
	3,861	2,812	38	6,884	5,186	33
(Loss)/profit before tax	(3,632)	149	NM	(6,969)	768	NM
Tax credit	1	7	(86)	27	12	NM
(Loss)/profit for the period	(3,631)	156	NM	(6,942)	780	NM
Other comprehensive (loss)/income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(80)	304	NM	387	(122)	NM
Fair value gain on available-for-sale financial assets	-	2	NM	-	2	NM
Other comprehensive (loss)/income for the period, net of tax	(80)	306	NM	387	(120)	NM
Total comprehensive (loss)/income for the period	(3,711)	462	NM	(6,555)	660	NM
(Loss)/earnings per share						
Basic (cents)	(6.97)	0.30	NM	(13.33)	1.50	NM
Diluted (cents)	(6.97)	0.30	NM	(13.33)	1.50	NM

NM Not meaningful

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

	Group					
	2Q 2018	2Q 2017	% Variance	1H 2018	1H 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Fair value gain on derivative financial instruments	-	41	NM	-	-	NM
Foreign exchange gain	-	-	NM	-	322	NM
Gain on disposal of property, plant and equipment	73	30	NM	69	30	NM
Interest income from fixed deposits	106	102	4	220	204	8
Rental income	289	296	(2)	592	590	NM
Sundry income	299	97	NM	549	221	NM

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

	Group					
	2Q 2018	2Q 2017	% Variance	1H 2018	1H 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Allowance for doubtful receivables	772	-	NM	765	-	NM
Depreciation of property, plant and equipment	1,377	1,069	29	2,638	2,185	21
Directors' fees	26	26	-	52	55	(5)
Loss on settlement of derivative financial instruments	-	16	NM	-	2	NM
Foreign exchange loss	29	120	(76)	539	-	NM
Operating lease expenses	151	168	(10)	313	387	(19)
Staff costs	3,163	2,551	24	5,805	5,247	11
Write-back of allowance for doubtful receivables	-	(34)	NM	-	(42)	NM

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

	Group					
	2Q 2018	2Q 2017	% Variance	1H 2018	1H 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(13)	(2)	NM	(4)	(3)	33
- over provision in respect of prior years	7	-	NM	17	2	NM
	(6)	(2)	NM	13	(1)	NM
Deferred tax:						
- current year	7	9	(22)	14	13	8
	1	7	(86)	27	12	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 2018	31 December 2017 (Restated)	1 January 2017 (Restated)	30 June 2018	31 December 2017
Non-current assets					
Property, plant and equipment	46,524	47,157	47,518	267	305
Investment properties	34,847	34,847	34,799	-	-
Investment in subsidiary companies	-	-	-	48,916	49,019
Trade receivables	5,652	4,502	4,185	-	-
Club membership	-	-	34	-	-
	87,023	86,506	86,536	49,183	49,324
Current assets					
Development properties	19,430	18,998	18,554	-	-
Completed development properties held for sale	3,384	3,384	9,672	-	-
Inventories	8,656	7,006	7,525	-	-
Trade receivables	23,006	25,976	28,064	-	-
Other receivables	1,299	743	1,028	45,886	43,312
Available-for-sale financial assets	21	21	16	19	19
Cash and cash equivalents	27,543	30,049	29,371	53	24
	83,339	86,177	94,230	45,958	43,355
Total assets	170,362	172,683	180,766	95,141	92,679
Non-current liabilities					
Borrowings	2,591	2,746	28,269	-	-
Hire purchase payables	236	314	473	-	-
Deferred tax liabilities	2,662	2,676	2,634	-	-
	5,489	5,736	31,376	-	-
Current liabilities					
Trade payables	19,507	16,132	18,821	-	-
Other payables	2,888	2,429	3,211	25,338	22,919
Borrowings	55,428	54,655	32,090	-	-
Hire purchase payables	813	939	445	88	98
Derivative financial instruments	-	-	250	-	-
Tax payables	13	13	132	1	2
	78,649	74,168	54,949	25,427	23,019
Total liabilities	84,138	79,904	86,325	25,427	23,019
Net assets	86,224	92,779	94,441	69,714	69,660
Equity					
Share capital	68,323	68,323	68,323	68,323	68,323
Share option reserve	-	-	8	-	-
Other reserves	(5,990)	(6,377)	(6,803)	7	7
Accumulated profits	23,891	30,833	32,913	1,384	1,330
Total equity	86,224	92,779	94,441	69,714	69,660

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

Aggregate amount of group's borrowings and debt securities.

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

As at 30 June 2018 (\$'000)		As at 31 December 2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
56,241	-	55,594	-

(b) Amount repayable after one year

As at 30 June 2018 (\$'000)		As at 31 December 2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
2,827	-	3,060	-

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			
	2Q 2018	2Q 2017	1H 2018	1H 2017
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Loss)/profit before tax	(3,632)	149	(6,969)	768
Adjustments for:				
Allowance for doubtful receivables	772	-	765	-
Depreciation of property, plant and equipment	1,377	1,069	2,638	2,185
Fair value gain on derivative financial instruments	-	(41)	-	-
Loss on settlement of derivative financial instruments	-	16	-	2
Gain on disposal of property, plant and equipment	(73)	(30)	(69)	(30)
Interest expense	376	286	673	566
Interest income from fixed deposits	(106)	(102)	(220)	(204)
Unrealised (gain)/loss on foreign exchange	(44)	229	846	(424)
Operating cash flows before working capital changes	(1,330)	1,576	(2,336)	2,863
Changes in operating assets and liabilities:				
Development properties and completed development properties held for sale	-	3,371	-	4,735
Inventories	(1,415)	(33)	(1,650)	(200)
Receivables	(2,956)	464	492	(146)
Payables	3,643	(2,551)	3,809	(4,170)
Currency translation adjustments	62	(174)	(306)	57
Cash generated from operations	(1,996)	2,653	9	3,139
Tax (paid)/refunded	(6)	(36)	13	(96)
Net cash (used in)/generated from operating activities	(2,002)	2,617	22	3,043
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	52	86	69	86
Payment for settlement of derivative financial instruments	-	(107)	-	(252)
Purchase of property, plant and equipment	(959)	(662)	(1,709)	(926)
Net cash used in investing activities	(907)	(683)	(1,640)	(1,092)
Cash flows from financing activities:				
Drawdown of borrowings	1,545	1,610	2,758	1,807
Interest paid	(369)	(286)	(648)	(572)
Repayment of borrowings	(1,152)	(3,349)	(2,170)	(3,558)
Repayment of hire purchase payables	(111)	(107)	(215)	(204)
Net cash used in financing activities	(87)	(2,132)	(275)	(2,527)
Net decrease in cash and cash equivalents	(2,996)	(198)	(1,893)	(576)
Cash and cash equivalents at beginning of financial period	5,848	4,087	4,728	4,478
Effect of exchange rate changes on cash and cash equivalents	(3)	7	14	(6)
Cash and cash equivalents at end of financial period	2,849	3,896	2,849	3,896

Cash and cash equivalents are represented by:

	Group	
	30 June 2018	30 June 2017
	\$'000	\$'000
Cash and cash equivalents on the consolidated statement of financial position	27,543	29,442
Fixed deposits pledged	(24,694)	(25,487)
Bank overdrafts	-	(59)
Cash and cash equivalents per consolidated statement of cash flows	2,849	3,896

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	Share option reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Group:					
Balance at 1 January 2017	68,323	8	16,183	9,927	94,441
Effect of changes in accounting policy upon adoption of SFRS-(I) 1	-	-	(22,986)	22,986	-
Balance at 1 January 2017 (restated)	68,323	8	(6,803)	32,913	94,441
Profit for the period	-	-	-	780	780
Other comprehensive (loss)/income:					
Currency translation differences arising from consolidation	-	-	(122)	-	(122)
Fair value gain on available-for-sale financial assets	-	-	2	-	2
Total comprehensive (loss)/income for the period	-	-	(120)	780	660
Balance at 30 June 2017	68,323	8	(6,923)	33,693	95,101
Balance at 1 January 2018	68,323	-	17,754	6,702	92,779
Effect of changes in accounting policy upon adoption of SFRS-(I) 1	-	-	(24,131)	24,131	-
Balance at 1 January 2018 (restated)	68,323	-	(6,377)	30,833	92,779
Loss for the period	-	-	-	(6,942)	(6,942)
Other comprehensive income :					
Currency translation differences arising from consolidation	-	-	387	-	387
Total comprehensive income/(loss) for the period	-	-	387	(6,942)	(6,555)
Balance at 30 June 2018	68,323	-	(5,990)	23,891	86,224

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Company:					
Balance at 1 January 2017	68,323	8	1	(2,867)	65,465
Profit and total comprehensive income/loss for the period	-	-	3	(15)	(12)
Balance at 30 June 2017	68,323	8	4	(2,882)	65,453
Balance at 1 January 2018	68,323	-	7	1,330	69,660
Profit and total comprehensive income for the period	-	-	-	54	54
Balance at 30 June 2018	68,323	-	7	1,384	69,714

- 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. No share option was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 June 2018, nil (30 June 2017: 3,799) share options representing approximately nil% (30 June 2017: 0.01%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares nor subsidiary holdings as at 30 June 2018 (30 June 2017: 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 2018 is 52,066,937 shares (31 December 2017: 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 2018.

- 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 30 June 2018.

- 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 2017.

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.

The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") framework and the new accounting standards that are effective on 1 January 2018. In addition to adopting all the applicable standards under SFRS(I), the Group also takes the opportunity to review the relevance of the accounting policy choices with the application of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group is required to retrospectively apply all SFRS (I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to mandatory exceptions and optional exemptions under SFRS(I) 1. The Group decided to elect the optional exemption in SFRS(I) 1 to measure the freehold properties and leasehold land and buildings (collectively, the "Properties") classified under property, plant and equipment held by the Group at the date of transition to IFRS at fair value and use that fair value as its deemed cost in its IFRS financial statements. Any amount in asset revaluation reserve relating to the Properties is transferred to accumulated profits directly. Subsequent to the date of transition, the Properties shall be carried at cost less any accumulated depreciation and impairment losses. As a result, the Group reclassified \$23.0 million of asset revaluation reserve to the opening accumulated profits as at 1 January 2017.

Except for the above, the adoption of the new SFRS(I) 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.

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			
	2Q 2018 Ended 30 June 2018	2Q 2017 Ended 30 June 2017	1H 2018 Ended 30 June 2018	1H 2017 Ended 30 June 2017
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit attributable to equity holders of the Company	(3,631)	156	(6,942)	780
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	52,067	52,067	52,067

Basic (loss)/earnings per share is calculated based on the Group's (loss)/profit 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)/earnings per share is calculated based on the Group's (loss)/profit 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 2018 Ended 30 June 2018	2Q 2017 Ended 30 June 2017	1H 2018 Ended 30 June 2018	1H 2017 Ended 30 June 2017
	Cents	cents	cents	cents
Basic (loss)/earnings per share	(6.97)	0.30	(13.33)	1.50
Diluted (loss)/earnings per share	(6.97)	0.30	(13.33)	1.50

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 2018	31 December 2017	30 June 2018	31 December 2017
	\$	\$	\$	\$
Net asset value per ordinary share	1.66	1.78	1.34	1.34

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 fell by \$4.7 million from \$16.9 million in 2Q 2017 to \$12.2 million in 2Q 2018. The decrease was mainly because there was \$4.7 million revenue generated from property development activities in 2Q 2017 but nil in 2Q 2018.

The Group suffered a negative gross margin of 4% in 2Q 2018 compared to gross profit margin of 14% in 2Q 2017, mainly due to stiff industry competition, unfavourable market conditions and rising material costs in our prefabrication projects.

Other income increased by \$0.2 million from \$0.6 million in 2Q 2017 to \$0.8 million in 2Q 2018 mainly due to increase in income from sale of scrap metal and building materials.

General and administrative expenses increased by \$1.0 million from \$2.5 million in 2Q 2017 to \$3.5 million in 2Q 2018 mainly because of \$0.8 million increase in allowance for doubtful receivables and \$0.3 million increase in depreciation of property, plant and equipment.

Finance costs of the Group increased from \$0.3 million in 2Q 2017 to \$0.4 million in 2Q 2018 mainly due to rising interest rates.

Loss before tax of the Group was reported at \$3.6 million for 2Q 2018, compared to a profit before tax of \$0.1 million for 2Q 2017.

The Group recorded a tax credit of \$1K for 2Q 2018 (2Q 2017: \$7K) after reviewing its current tax status.

After consideration of the above, the Group recorded loss after tax of \$3.6 million in 2Q 2018 (2Q 2017: profit after tax of \$0.2 million).

The Group suffered other comprehensive loss of \$80K from unfavourable foreign currency movements in foreign subsidiaries in 2Q 2018 (2Q 2017: other comprehensive income of \$306K).

The Group reported total comprehensive loss of \$3.7 million in 2Q 2018 (2Q 2017: total comprehensive income of \$0.5 million).

Statement of financial position

Total assets of the Group decreased by \$2.3 million from \$172.7 million as at 31 December 2017 to \$170.4 million as at 30 June 2018.

Current trade receivables decreased \$3.0 million mainly due to lower revenue and improvement in collections from customers. Property, plant and equipment decreased by \$0.7 million mainly due to depreciation charged during the reporting period.

Non-current trade receivables increased by \$1.2 million mainly due to retention sum withheld for on-going precast projects.

Other assets of the Group maintained at roughly the same level as 31 December 2017.

Total liabilities of the Group increased by \$4.3 million from \$79.9 million as at 31 December 2017 to \$84.2 million as at 30 June 2018.

Trade payables increased \$3.4 million from \$16.1 million as at 31 December 2017 to \$19.5 million as at 30 June 2018. Other payables increased \$0.5 million from \$2.4 million as at 31 December 2017 to \$2.9 million as at 30 June 2018.

Borrowings increased \$0.6 million from \$57.4 million as at 31 December 2017 to \$58.0 million as at 30 June 2018.

The net assets of the Group recorded as at 30 June 2018 was \$86.2 million.

Statement of cash flows

The Group used net cash of \$2.0 million from its operating activities in 2Q 2018.

It used \$0.9 million in investing activities for purchasing of property, plant and equipment.

It used \$0.1 million in financing activities, in payment for interest of \$0.4 million and hire purchase payables of \$0.1 million, and net drawdown of borrowings of \$0.4 million.

Overall, the Group used \$3.0 million in 2Q 2018, and the cash and cash equivalents stood at \$2.8 million as at 30 June 2018.

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 (1Q 2018 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.

Business environment remains challenging. The construction industry in Singapore has been contracting in recent quarters and is facing great pricing pressure. The Group will remain focused on cost efficiency and productivity in executing its on-going projects and cautious in tendering for new 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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the period ended 30 June 2018.

13. Interested 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	\$2,094,000	Nil

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
13 August 2018

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 2018 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

13 August 2018