



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

2014 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 2014

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 June 2014.

| | Group | | | | | |
|---|--------------|--------------|---------------|--------------|--------------|---------------|
| | 2Q 2014 | 2Q 2013 | % Variance | 1H 2014 | 1H 2013 | % Variance |
| | \$'000 | \$'000 | + / (-) | \$'000 | \$'000 | + / (-) |
| Revenue | 20,714 | 46,454 | (55) | 43,941 | 79,256 | (45) |
| Cost of sales | (19,417) | (41,534) | (53) | (40,882) | (69,820) | (41) |
| Gross profit | 1,297 | 4,920 | (74) | 3,059 | 9,436 | (68) |
| Other income | 1,608 | 589 | 173 | 3,071 | 952 | 223 |
| | 2,905 | 5,509 | (47) | 6,130 | 10,388 | (41) |
| Expenses | | | | | | |
| General and administrative expenses | 2,243 | 3,990 | (44) | 4,909 | 6,715 | (27) |
| Finance costs | 254 | 192 | 32 | 497 | 389 | 28 |
| | 2,497 | 4,182 | (40) | 5,406 | 7,104 | (24) |
| Profit before tax | 408 | 1,327 | (69) | 724 | 3,284 | (78) |
| Tax credit/(expense) | 40 | (504) | NM | 89 | (940) | NM |
| Profit for the period | 448 | 823 | (46) | 813 | 2,344 | (65) |
| Other comprehensive income/(loss): | | | | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | | | |
| Currency translation differences arising from consolidation | 206 | 186 | 11 | 191 | 482 | (60) |
| Fair value gain/(loss) on available-for-sale financial assets | 2 | - | NM | (2) | 47 | NM |
| Other comprehensive income for the period, net of tax | 208 | 186 | 12 | 189 | 529 | (64) |
| Total comprehensive income for the period | 656 | 1,009 | (35) | 1,002 | 2,873 | (65) |
| Earnings per share | | | | | | |
| Basic (cents) | 0.06 | 0.11 | (45) | 0.10 | 0.30 | (67) |
| Diluted (cents) | 0.06 | 0.11 | (45) | 0.10 | 0.30 | (67) |

NM Not meaningful

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

| | Group | | | | | |
|--|---------|---------|------------|---------|---------|------------|
| | 2Q 2014 | 2Q 2013 | % Variance | 1H 2014 | 1H 2013 | % Variance |
| | \$'000 | \$'000 | + / (-) | \$'000 | \$'000 | + / (-) |
| | | | | | | |
| Dividend income | - | - | - | 4 | - | NM |
| Foreign exchange gain | 364 | - | NM | 824 | - | NM |
| Gain on settlement of derivative financial instruments | 695 | 161 | 332 | 599 | 281 | 113 |
| Interest income from financial assets at fair value through profit or loss | - | 26 | NM | - | 38 | NM |
| Interest income from fixed deposits | 120 | 14 | 757 | 185 | 40 | 363 |
| Rental income | 303 | 167 | 81 | 605 | 236 | 156 |
| Sundry income | 126 | 221 | (43) | 854 | 357 | 139 |

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

| | Group | | | | | |
|--|---------|---------|------------|---------|---------|------------|
| | 2Q 2014 | 2Q 2013 | % Variance | 1H 2014 | 1H 2013 | % Variance |
| | \$'000 | \$'000 | + / (-) | \$'000 | \$'000 | + / (-) |
| | | | | | | |
| Bad debts written back | (11) | - | NM | (11) | - | NM |
| Depreciation of property, plant and equipment | 1,272 | 1,373 | (7) | 2,605 | 2,759 | (6) |
| Directors' fees | 25 | 15 | 67 | 48 | 35 | 37 |
| Fair value loss on financial assets at fair value through profit or loss | - | 882 | NM | - | 1,358 | NM |
| Foreign exchange loss | - | 465 | NM | - | 468 | NM |
| Goodwill on consolidation written off | - | 3 | NM | - | 3 | NM |
| Impairment loss on available-for-sale financial assets | 84 | - | NM | 182 | 47 | 287 |
| Loss on disposal of property, plant and equipment | - | - | - | 142 | - | NM |
| Operating lease expenses | 415 | 1,285 | (68) | 955 | 2,354 | (59) |
| Staff costs | 3,942 | 4,003 | (2) | 8,154 | 7,614 | 7 |

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

| | Group | | | | | |
|---|---------|---------|------------|---------|---------|------------|
| | 2Q 2014 | 2Q 2013 | % Variance | 1H 2014 | 1H 2013 | % Variance |
| | \$'000 | \$'000 | + / (-) | \$'000 | \$'000 | + / (-) |
| | | | | | | |
| Income tax: | | | | | | |
| - current year | (2) | - | NM | (3,936) | - | NM |
| - under provision in respect of prior years | (8) | (200) | (96) | (8) | (200) | (96) |
| | (10) | (200) | (95) | (3,944) | (200) | 1,872 |
| Deferred income tax for current period | 50 | (304) | NM | 4,033 | (740) | NM |
| | 40 | (504) | NM | 89 | (940) | 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 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| Non-current assets | | | | |
| Property, plant and equipment | 44,034 | 46,325 | 386 | 452 |
| Investment properties | 32,331 | 32,331 | - | - |
| Investment in subsidiary companies | - | - | 75,136 | 74,350 |
| Trade receivables | 2,733 | 2,294 | - | - |
| Club membership | 36 | 36 | - | - |
| | 79,134 | 80,986 | 75,522 | 74,802 |
| Current assets | | | | |
| Development properties | 22,364 | 29,307 | - | - |
| Due from customers on development projects | - | 27,855 | - | - |
| Completed development properties held for sale | 11,154 | 3,384 | - | - |
| Due from customers on construction contracts | 8,785 | 7,433 | - | - |
| Inventories | 5,893 | 6,220 | - | - |
| Trade receivables | 25,289 | 24,436 | - | - |
| Other receivables | 2,424 | 2,324 | 23,804 | 28,740 |
| Available-for-sale financial assets | 647 | 831 | 35 | 34 |
| Cash and cash equivalents | 39,544 | 13,590 | 1,414 | 1,874 |
| | 116,100 | 115,380 | 25,253 | 30,648 |
| Total assets | 195,234 | 196,366 | 100,775 | 105,450 |
| Non-current liabilities | | | | |
| Other payables | - | 2 | - | - |
| Borrowings | 11,367 | 11,862 | - | - |
| Deferred tax liabilities | 2,522 | 6,555 | - | - |
| | 13,889 | 18,419 | - | - |
| Current liabilities | | | | |
| Trade payables | 19,004 | 22,356 | - | - |
| Other payables | 5,978 | 4,971 | 14,455 | 17,270 |
| Hire purchase payables | 2,093 | 2,772 | - | - |
| Borrowings | 42,504 | 36,491 | - | - |
| Derivative financial instruments | 690 | 3,247 | - | - |
| Tax payables | 4,161 | 244 | 74 | 89 |
| | 74,430 | 70,081 | 14,529 | 17,359 |
| Total liabilities | 88,319 | 88,500 | 14,529 | 17,359 |
| Net assets | 106,915 | 107,866 | 86,246 | 88,091 |
| Equity | | | | |
| Share capital | 68,323 | 68,323 | 68,323 | 68,323 |
| Share option reserve | 22 | 22 | 22 | 22 |
| Other reserves | 14,807 | 14,618 | 6 | 9 |
| Retained earnings | 23,763 | 24,903 | 17,895 | 19,737 |
| Total equity | 106,915 | 107,866 | 86,246 | 88,091 |

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 2014 (\$'000) | | As at 31 December 2013 (\$'000) | |
|--------------------------------|-----------|------------------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 44,597 | - | 39,263 | - |

(b) Amount repayable after one year

| As at 30 June 2014 (\$'000) | | As at 31 December 2013 (\$'000) | |
|--------------------------------|-----------|------------------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 11,367 | - | 11,862 | - |

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 and development 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 2014 | 2Q 2013 | 1H 2014 | 1H 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities: | | | | |
| Profit before tax | 408 | 1,327 | 724 | 3,284 |
| Adjustments for: | | | | |
| Dividend income | - | - | (4) | - |
| Depreciation of property, plant and equipment | 1,272 | 1,373 | 2,605 | 2,759 |
| Fair value loss on financial assets at fair value through profit or loss | - | 882 | - | 1,358 |
| Gain on settlement of derivative financial instruments | (695) | (161) | (599) | (281) |
| Goodwill on consolidation written off | - | 3 | - | 3 |
| Impairment loss on available-for-sale financial assets | 84 | - | 182 | 47 |
| Interest expense | 254 | 192 | 497 | 389 |
| Interest income from financial assets at fair value through profit or loss | - | (26) | - | (38) |
| Interest income from fixed deposits | (120) | (14) | (185) | (40) |
| Loss on disposal of property, plant and equipment | - | - | 142 | - |
| Unrealised gain on foreign currency translation | (59) | (41) | (72) | (85) |
| Operating cash flow before working capital changes | 1,144 | 3,535 | 3,290 | 7,396 |
| Changes in operating assets and liabilities: | | | | |
| Development properties, due from customers on development projects and completed development properties held for sale | 722 | (2,510) | 27,208 | (5,473) |
| Due from/to customers on construction contracts | (533) | (171) | (1,351) | (837) |
| Inventories | (276) | 2,254 | 326 | 196 |
| Receivables | 6,271 | (559) | (1,400) | (2,064) |
| Payables | (3,822) | 894 | (2,347) | 3,397 |
| Cash generated from operations | 3,506 | 3,443 | 25,726 | 2,615 |
| Interest received | 120 | 14 | 185 | 40 |
| Interest paid | (256) | (315) | (499) | (534) |
| Income tax paid | (2) | - | (18) | (1) |
| Net cash generated from operating activities | 3,368 | 3,142 | 25,394 | 2,120 |
| Cash flows from investing activities: | | | | |
| Acquisitions of financial assets at fair value through profit or loss | - | - | - | (3,699) |
| Dividend received | - | - | 4 | - |
| Interest received from financial assets at fair value through profit or loss | - | 26 | - | 38 |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 589 | - | - |
| Proceeds from disposal of property, plant and equipment | 7 | - | 72 | - |
| (Payment for)/proceeds from settlement of derivative financial instruments | (1,270) | 9 | (1,958) | 37 |
| Purchase of property, plant and equipment | (186) | (953) | (446) | (3,105) |
| Net cash used in investing activities | (1,449) | (329) | (2,328) | (6,729) |
| Cash flows from financing activities: | | | | |
| Drawdown of borrowings | 7,949 | 3,032 | 13,276 | 4,925 |
| Repayment of borrowings | (288) | (1,287) | (5,866) | (2,924) |
| Repayment of hire purchase payables | (338) | (344) | (678) | (689) |
| Pledged of fixed deposits | (19,167) | - | (25,589) | - |
| Dividends paid | (1,951) | (1,951) | (1,953) | (1,951) |
| Net cash used in financing activities | (13,795) | (550) | (20,810) | (639) |
| Net (decrease)/increase in cash and cash equivalents | (11,876) | 2,263 | 2,256 | (5,248) |
| Cash and cash equivalents at beginning of financial period | 20,163 | 3,503 | 6,031 | 11,014 |
| Cash and cash equivalents at end of financial period | 8,287 | 5,766 | 8,287 | 5,766 |

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

| | Group | |
|---|------------------------|------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| Cash and cash equivalents on the statement of financial position | 39,544 | 7,634 |
| Fixed deposits pledged | (31,257) | - |
| Bank overdrafts | - | (1,868) |
| Cash and cash equivalents per consolidated statement of cash flows | 8,287 | 5,766 |

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 | Retained earnings \$'000 | Total equity \$'000 |
|---|-------------------------|--------------------------------|--------------------------|-----------------------------|------------------------|
| Group: | | | | | |
| Balance at 1 January 2013 | 68,286 | 51 | 11,751 | 24,154 | 104,242 |
| Profit for the period | - | - | - | 2,344 | 2,344 |
| Other comprehensive income: | | | | | |
| Currency translation differences arising from consolidation | - | - | 482 | - | 482 |
| Fair value gain on available-for-sale financial assets | - | - | 47 | - | 47 |
| Other comprehensive income for the period, net of tax | - | - | 529 | - | 529 |
| Total comprehensive income for the period | - | - | 529 | 2,344 | 2,873 |
| Dividends | - | - | - | (1,951) | (1,951) |
| Reclassification | - | (2) | - | 2 | - |
| Balance at 30 June 2013 | 68,286 | 49 | 12,280 | 24,549 | 105,164 |
| Balance at 1 January 2014 | 68,323 | 22 | 14,618 | 24,903 | 107,866 |
| Profit for the period | - | - | - | 813 | 813 |
| Other comprehensive income/(loss): | | | | | |
| Currency translation differences arising from consolidation | - | - | 191 | - | 191 |
| Fair value loss on available-for-sale financial assets | - | - | (2) | - | (2) |
| Other comprehensive income for the period, net of tax | - | - | 189 | - | 189 |
| Total comprehensive income for the period | - | - | 189 | 813 | 1,002 |
| Dividends | - | - | - | (1,953) | (1,953) |
| Balance at 30 June 2014 | 68,323 | 22 | 14,807 | 23,763 | 106,915 |

| | Share capital \$'000 | Share option reserve \$'000 | Other reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------------------------|--------------------------------|--------------------------|-----------------------------|------------------------|
| Company: | | | | | |
| Balance at 1 January 2013 | 68,286 | 51 | 7 | 16,687 | 85,031 |
| Profit and total comprehensive income for the period | - | - | - | 87 | 87 |
| Dividends | - | - | - | (1,951) | (1,951) |
| Reclassification | - | (2) | - | 2 | - |
| Balance at 30 June 2013 | 68,286 | 49 | 7 | 14,825 | 83,167 |
| Balance at 1 January 2014 | 68,323 | 22 | 9 | 19,737 | 88,091 |
| Profit for the period | - | - | - | 111 | 111 |
| Other comprehensive loss for the period, net of tax | | | | | |
| - Fair value loss on available-for-sale financial assets | - | - | (3) | - | (3) |
| Total comprehensive (loss)/income for the period | - | - | (3) | 111 | 108 |
| Dividends | - | - | - | (1,953) | (1,953) |
| Balance at 30 June 2014 | 68,323 | 22 | 6 | 17,895 | 86,246 |

- 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 option was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 June 2014, a total of 374,000 (30 June 2013: 1,177,600) share options representing approximately 0.05% of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 30 June 2014 (30 June 2013: 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 2014 is 781,035,217 shares (31 December 2013: 781,035,217 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 2014.

- 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 2013.

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 2014. 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 2014 | 2Q 2013 | 1H 2014 | 1H 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit attributable to equity holders of the Company | 448 | 823 | 813 | 2,344 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of ordinary shares in issue | | | | |
| - Basic weighted average | 781,035 | 780,469 | 781,035 | 780,469 |
| - Fully diluted weighted average | 781,173 | 780,979 | 781,178 | 780,992 |
| | cents | cents | cents | cents |
| Basic earnings per share | 0.06 | 0.11 | 0.10 | 0.30 |
| Diluted earnings per share | 0.06 | 0.11 | 0.10 | 0.30 |

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

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 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| | cents | cents | cents | cents |
| Net asset value per ordinary share | 13.69 | 13.81 | 11.04 | 11.28 |

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 \$20.7 million in 2014 Q2, a 55% decrease as compared to 2013 Q2. The decrease was mainly due to lower revenue generated from property development activities.

The gross profit margin of the Group of 2014 Q2 was 6% as compared to 11% in 2013 Q2 as lower revenue was generated from better margin business activities, such as property development activities, and provision of losses for on-going construction contracts.

Other income increased by 173% from \$0.6 million in 2013 Q2 to \$1.6 million in 2014 Q2 mainly due to gains on foreign exchange (\$0.4 million) and derivative financial instruments (\$0.7 million) resulted from favourable foreign exchange movements. The Group also generated stable rental income from its investment property.

General and administrative expenses reduced by 44% from \$4.0 million in 2013 Q2 to \$2.2 million in 2014 Q2 mainly due to no losses incurred in foreign exchange and financial assets at fair value through profit or loss.

The operating lease expenses reduced by 68% from \$1.3 million in 2013 Q2 to \$0.4 million in 2014 Q2 mainly due to lower land requirement in Singapore as the Group has relocated part of its prefabrication activities to Malaysia. This is part of the Group's cost cutting measures. The reduction in operating lease expenses mainly reflected in cost of sales.

Other general and administrative expenses were maintained at the same level as 2013 Q2.

Finance costs of the Group increased by 32% from \$192K in 2013 Q2 to \$254K in 2014 Q2. Simultaneously, the interest income of the Group was also increased from \$14K in 2013 Q2 to \$120K in 2014 Q2.

The Group reported profit before tax of \$0.4 million (2013 Q2: \$1.3 million).

After taking into consideration of accounting and tax factors, there is a tax credit of \$40K reported in 2014 Q2 mainly due to reversal of deferred tax liabilities recognised in prior years.

Profit for the period of the Group was \$448K in 2014 Q2 as compared to \$823K in 2013 Q2.

Other comprehensive income was \$208K in 2014 Q2 mainly resulted from favourable foreign currency movements in foreign subsidiaries.

The Group reported total comprehensive income of \$0.7 million in 2014 Q2 (2013 Q2: \$1.0 million).

Statement of financial position

Non-current assets of the Group decreased by \$1.9 million from \$81.0 million as at 31 December 2013 to \$79.1 million as at 30 June 2014 mainly attributable to depreciation charge during the period (\$2.6 million) and increase in retention money withheld under prefabrication contracts (\$0.4 million).

Current assets of the Group marginally increased by \$0.7 million from \$115.4 million as at 31 December 2013 to \$116.1 million as at 30 June 2014. Upon completion of the property development project in 2014 Q1, assets previously classified as development property (\$8.9 million) and due from customers on development project (\$27.9 million) had been reclassified as completed development property held for sale for unsold units (\$8.3 million), trade receivables for sold units (\$6.7 million). Cash and cash equivalents of the Group increased by \$25.9 million from \$13.6 million as at 31 December 2013 to \$39.5 million as at 30 June 2014 attributable to collections from property development projects and funds raised from financing activities.

Non-current liabilities of the Group reduced by \$4.5 million from \$18.4 million as at 31 December 2013 to \$13.9 million as at 30 June 2014 mainly due to reclassification of deferred tax liabilities (\$4.0 million) to tax payable and repayment of term loans (\$0.5 million).

Current liabilities of the Group increased by \$4.4 million mainly due to reclassification of deferred tax liabilities to tax payables of \$4.0 million, additional funds of \$6.0 million was raised from borrowings to finance operation and investment activities, and provisions of \$0.9 million was made for potential losses. These increases in current liabilities were mitigated by lower trade payables (\$3.4 million) resulted from early payments to subcontractors upon their requests and lower business activities, repayment of hire purchase payables (\$0.7 million) and settlement of derivative financial instruments upon contracts' maturity (\$2.6 million).

The net assets of the Group reduced by approximately \$1.0 million and stood at \$106.9 million as at 30 June 2014. Dividends payment of approximately \$2.0 million was made during the reporting period.

Statement of cash flows

The Group generated \$3.4 million from its operating activities in 2014 Q2.

It used \$1.4 million in investing activities, largely in settlement of derivative financial instruments (\$1.3 million).

It used \$13.8 million in financing activities, mainly placement of fixed deposits (\$19.2 million). These fixed deposits were pledged to various financial institutions for financing facilities granted. It raised \$7.7 million (net) from financial institutions and repaid hire purchase payables of \$0.3 million. The Group made a dividends payment of \$2.0 million during the reporting period.

The cash and cash equivalents of the Group reduced by \$11.9 million in 2014 Q2 and reported at \$8.3 million as at 30 June 2014.

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 (2014 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.

The Management cautions that rising labour and subcontractors' costs as well as shortages of skilled and unskilled labour will remain highly challenging for the Group in the next 12 months.

The Group will continue to focus on implementing cost cutting measures to mitigate the impact of rising costs and seeking strategic alliances to complement its core business activities in the region.

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/recommendeded 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) |
|-------------------------------|--|---|
| BWH Pte Ltd | \$ 323,700 | NIL |
| Triton Metal Supplies Pte Ltd | \$ 1,285,666 | NIL |

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
12 August 2014

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 2014 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 2014