



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

2020 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 2020

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the first-quarter ended 31 March 2020.

	Group		
	1Q 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019	% Variance
	\$'000	\$'000	+ / (-)
Revenue	13,698	14,403	(5)
Cost of sales	(12,208)	(14,484)	(16)
Gross profit/(loss)	1,490	(81)	NM
Interest income from fixed deposits	104	124	(16)
Other income	467	711	(34)
	2,061	754	NM
Expenses:			
General and administrative expenses	3,068	1,951	57
Finance costs	544	485	12
Net impairment losses on financial and contract assets	-	425	NM
	3,612	2,861	26
Loss before tax	(1,551)	(2,107)	(26)
Tax credit/(expense)	5	(42)	NM
Loss for the period	(1,546)	(2,149)	(28)
Other comprehensive income:-			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	57	58	(2)
Other comprehensive income for the period, net of tax	57	58	(2)
Total comprehensive loss for the period	(1,489)	(2,091)	NM
Loss per share			
Basic (cents)	(2.97)	(4.13)	(28)
Diluted (cents)	(2.97)	(4.13)	(28)

NM Not meaningful

Notes:

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

	Group		
	1Q 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019	% Variance
	\$'000	\$'000	+ / (-)
Gain on foreign exchange	-	91	NM
Rental income	276	388	(29)
Sales of scrap materials	119	93	(7)
Sundry income	72	139	(44)

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

	Group		
	1Q 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019	% Variance
	\$'000	\$'000	+ / (-)
Depreciation of property, plant and equipment	1,336	1,568	(15)
Directors' fee	26	26	-
Fair value loss/(gain) on derivative financial instruments	286	(107)	NM
Impairment loss on trade receivables	-	425	NM
Loss on disposal of fixed assets	20	47	(57)
Loss on foreign exchange	699	-	NM
Operating lease expense	289	303	(5)
Staff costs	2,531	2,496	1

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

	Group		
	1Q 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019	% Variance
	\$'000	\$'000	+ / (-)
Income tax:			
- current year	(2)	1	NM
- over provision in respect of prior years	-	-	NM
	(2)	1	NM
Deferred tax:			
- current year	7	(43)	NM
	5	(42)	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 2020	31 December 2019	31 March 2020	31 December 2019
Non-current assets				
Property, plant and equipment	42,518	42,916	122	144
Investment properties	39,989	39,989	-	-
Investment in subsidiary companies	-	-	48,383	48,383
Trade receivables	7,722	7,350	-	-
Loan to a third party	1,321	1,318	-	-
	91,550	91,573	48,505	48,527
Current assets				
Development properties	19,020	18,923	-	-
Inventories	8,613	8,998	-	-
Trade receivables	20,907	21,165	-	-
Other receivables	1,653	1,237	8,596	8,596
Contract assets	-	195	2,016	2,016
Financial assets at fair value through other comprehensive income	18	18	16	16
Cash and cash equivalents	26,544	27,939	310	282
	76,755	78,475	10,938	10,910
Total assets	168,305	170,048	59,443	59,437
Non-current liabilities				
Borrowings	31,025	31,455	-	-
Deferred tax liabilities	2,333	2,313	-	-
	33,358	33,768	-	-
Current liabilities				
Trade payables	26,837	27,600	-	-
Other payables	3,470	3,631	35,410	34,798
Contract liabilities	3,817	3,817	-	-
Borrowings	41,109	39,314	-	-
Hire purchase payables	-	-	48	54
Provisions	532	1,533	-	-
Derivative financial instruments	561	275	-	-
Tax payables	12	12	-	-
	76,338	76,182	35,458	35,852
Total liabilities	109,696	109,950	35,458	35,852
Net assets	58,609	60,098	23,985	24,585
Equity				
Share capital	68,323	68,323	68,323	68,323
Other reserves	(6,304)	(6,361)	3	3
Accumulated losses	(3,410)	(1,864)	(44,341)	(43,741)
Total equity	58,609	60,098	23,985	24,585

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 31/03/2020 (\$'000)		As at 31/12/2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
41,109	-	39,314	-

(b) Amount repayable after one year

As at 31/03/2020 (\$'000)		As at 31/12/2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
31,025	-	31,455	-

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 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019
Cash flows from operating activities:		
Loss before tax	(1,551)	(2,107)
Adjustments for:		
Depreciation of property, plant and equipment	1,192	1,568
Fair value loss/(gain) on derivative financial instruments	286	(107)
Loss on disposal of property, plant and equipment	20	47
Interest expense	544	486
Interest income	(121)	(124)
Unrealised loss/(gain) on foreign exchange	849	(33)
Operating cash flows before working capital changes	1,219	(270)
Changes in operating assets and liabilities:		
Inventories	385	185
Receivables	(465)	(142)
Payables	(946)	(411)
Currency translation adjustments	(632)	(211)
Cash used in operations	(439)	(849)
Income tax refunded/(paid)	6	1
Net cash used in operating activities	(433)	(848)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	104	-
Purchase of property, plant and equipment	(621)	(626)
Net cash used in investing activities	(517)	(626)
Cash flows from financing activities:		
Drawdown of borrowings	3,324	3,659
Interest paid	(520)	(454)
Repayment of borrowings	(2,252)	(2,410)
Repayment of hire purchase payables	(191)	(130)
Net cash generated from financing activities	361	665
Net decrease in cash and cash equivalents	(589)	(809)
Cash and cash equivalents at beginning of financial period	1,999	4,587
Effect of exchange rate changes on cash and cash equivalents	14	22
Cash and cash equivalents at end of financial period	1,424	3,800

Cash and cash equivalents are represented by:-

	As at 31 March 2020 \$'000	As at 31 March 2019 \$'000
Cash and cash equivalents on the consolidated statement of financial position	26,544	30,147
Fixed deposits pledged	(25,120)	(26,347)
Bank overdrafts	-	-
Cash and cash equivalents per consolidated statement of cash flows	1,424	3,800

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 losses \$'000	Total equity \$'000
Group:				
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 (loss)/income for the period	-	58	(2,149)	(2,091)
Balance at 31 March 2019	68,323	(6,281)	(4,913)	57,129
Balance at 1 January 2020	68,323	(6,361)	(1,864)	60,098
Loss for the period	-	-	(1,546)	(1,546)
Other comprehensive income:				
Currency translation differences arising from consolidation	-	57	-	57
Total comprehensive income/(loss) for the period	-	57	(1,546)	(1,489)
Balance at 31 March 2020	68,323	(6,304)	(3,410)	58,609
	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Company:				
Balance at 1 January 2019	68,323	4	(43,678)	24,649
Total comprehensive income for the period	-	-	(603)	(603)
Balance at 31 March 2019	68,323	4	(44,281)	24,046
Balance at 1 January 2020	68,323	3	(43,741)	24,585
Total comprehensive loss for the period	-	-	(600)	(600)
Balance at 31 March 2020	68,323	3	(44,341)	23,985

- 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 2020 (31 March 2019: 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 2020 is 52,066,937 shares (31 December 2019: 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 2020.

- 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 2020.

- 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 2019.

- 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.**

There are no other new SFRS(I) with significant changes to the accounting policies of the Group and the Company nor any of 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 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019
	\$'000	\$'000
	'000	'000
Loss for the period attributable to equity holders of the Company	(1,546)	(2,149)
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 2020 Ended 31 March 2020	1Q 2019 Ended 31 March 2019
	Cents	Cents
(i) Basic loss per share	(2.97)	(4.13)
(ii) Diluted loss per share	(2.97)	(4.13)

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 2019	31 March 2020	31 December 2019
	\$	\$	\$	\$
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	1.13	1.15	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 decreased from \$14.4 million in 1Q 2019 to \$13.7 million in 1Q 2020, mainly due to reduced volume of our prefabrication activities.

The Group achieved a gross profit of \$1.5 million in 1Q 2020 compared to gross loss of \$81,000 in 1Q 2019.

Other income of the Group fell from \$0.7 million in 1Q 2019 to \$0.5 million in 1Q 2020.

General and administrative expenses increased from \$2.0 million in 1Q 2019 to \$3.1 million in 1Q 2020, mainly due to \$0.7 million foreign exchange loss in 1Q 2020 compared to foreign exchange gain of \$91,000 in 1Q 2019. There was a fair value loss of \$0.3 million from derivative financial instruments in 1Q 2020 compared to a fair value gain of \$0.1 million in 1Q 2019.

Loss before tax of the Group was reported at \$1.6 million for 1Q 2020, compared to loss before tax of \$2.1 million for 1Q 2019.

The Group recorded a tax credit of \$5,000 in 1Q 2020 (1Q 2019: tax expense of \$42,000) after reviewing its current tax status.

After taking into consideration of the above, the Group recorded loss after tax of \$1.5 million in 1Q 2020 (1Q 2019: loss after tax of \$2.1 million).

There was a currency translation gain arising from consolidation of \$57,000 in 1Q 2020 (1Q 2019: currency translation gain of \$58,000) due to net investments in subsidiary companies operating in foreign countries.

Total comprehensive loss of the Group was recorded at \$1.5 million in 1Q 2020 (1Q 2019: total comprehensive loss of \$2.1 million).

Statement of financial position

Total assets of the Group decreased from \$170.0 million as at 31 December 2019 to \$168.3 million as at 31 March 2020.

Non-current assets as of 31 March 2020 remained at roughly the same level as 31 December 2019.

Non-current borrowings fell by \$0.5 million while current borrowings increased by \$1.8 million.

Total liabilities of the Group decreased by \$0.3 million from \$110.0 million as at 31 December 2019 to \$109.7 million as at 31 March 2020, mainly because provisions fell by \$1.0 million.

The net assets of the Group recorded as at 31 March 2020 was \$58.7 million.

Statement of cash flows

The Group used net cash of \$0.4 million from its operating activities in 1Q 2020.

It used \$0.5 million in investing activities mainly for purchasing of property, plant and equipment.

It generated \$0.4 million in financing activities mainly due to drawdown of loans.

Overall, the cash position of the Group was reduced by \$0.5 million in 1Q 2020, and the cash and cash equivalents stood at \$1.4 million as at 31 March 2020.

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 (2019 full year financial statements announcement) released on 28 February 2020.

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.

Under the circuit breaker measures to control the COVID-19 pandemic, almost all construction works in Singapore had halted from early April 2020. Revenue for the Group will be adversely affected in the second quarter, but the Group expects it is able to tide over this period by closely monitoring its cash flow and financial position, and carrying out the necessary measures in a timely manner where needed.

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 2020.

13. Interested person transactions

There are no interested person transactions for the period ended 31 March 2020.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
15 May 2020

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 2020 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

15 May 2020