HOR KEW CORPORATION LIMITED

(Company Registration No. 199903415K)

Condensed interim financial statements

For the six months ended 30 June 2023

Contents

A. Condensed interim consolidated statement of profit or loss and other comprehensive income 2
B. Condensed interim statements of financial position 3
C. Condensed interim statements of changes in equity 4
D. Condensed interim consolidated statement of cash flows 5
E. Notes to the condensed interim consolidated financial statements 6
F. Other information required by Listing Rule Appendix 7.2 11

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

	Note	**The Group** **6 months ended 30 June 2023**	6 months ended 30 June 2022	Increase/ (Decrease)
		$'000	$'000	%
Revenue	4	**50,577**	31,244	62
Cost of sales	6	**(40,977)**	(21,297)	92
Gross profit		**9,600**	9,947	(3)
Interest income		**288**	59	NM
Other income	6	**773**	1,600	(52)
Expenses				
General and administrative expenses	6	**(5,102)**	(5,220)	(2)
Finance costs		**(1,312)**	(541)	NM
Net impairment loss of financial and contract assets	6	**(2,168)**	(2,280)	(5)
Profit before taxation		**2,079**	3,565	(42)
Tax expense	7	**(396)**	(684)	(42)
Profit for the period		**1,683**	2,881	(42)
Other comprehensive loss:				
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation		**(808)**	(340)	NM
Items that will not be reclassified subsequently to profit or loss:				
Fair value loss on financial assets at fair value through other comprehensive income		**-**	(1)	NM
Other comprehensive loss for the period, net of tax		**(808)**	(341)	NM
Total comprehensive income for the period		**875**	2,540	(66)
Earnings per share				
Basic (SGD in cent)		**3.23**	5.53	(42)
Diluted (SGD in cent)		**3.23**	5.53	(42)

NM Not meaningful

B. Condensed interim statements of financial position

	Note	The Group 30 June 2023 $'000	The Group 31 December 2022 $'000	The Company 30 June 2023 $'000	The Company 31 December 2022 $'000
Non-current assets					
Property, plant and equipment	11	**33,745**	37,126	**345**	440
Investment properties	12	**40,905**	40,905	**-**	-
Investment in subsidiary companies		**-**	-	**58,925**	58,933
Trade receivables		**5,516**	3,720	**-**	-
Insurance asset		**562**	560	**-**	-
Deferred tax assets		**138**	138	**-**	-
Total non-current assets		**80,866**	82,449	**59,270**	59,373
Current assets					
Development properties		**16,742**	17,576	**-**	-
Inventories		**11,923**	11,489	**-**	-
Trade receivables		**31,890**	30,279	**-**	-
Other receivables		**827**	1,386	**15,878**	15,921
Contract assets	5	**1,567**	3,987	**1,058**	1,898
Financial assets at fair value through other comprehensive income	10	**10**	10	**10**	10
Cash and cash equivalents		**23,343**	22,362	**249**	22
Total current assets		**86,302**	86,999	**17,195**	17,851
Total assets		**167,168**	169,448	**76,465**	77,224
Non-current liabilities					
Borrowings	13	**4,778**	6,164	**259**	259
Deferred tax liabilities		**1,815**	1,861	**-**	-
Total non-current liabilities		**6,593**	8,025	**259**	259
Current liabilities					
Trade payables		**29,824**	26,538	**-**	-
Other payables		**5,176**	5,600	**31,477**	32,421
Contract liabilities	5	**5,192**	7,620	**-**	-
Borrowings	13	**53,615**	54,828	**93**	184
Tax payables		**702**	1,646	**68**	68
Total current liabilities		**94,509**	96,232	**31,638**	32,673
Total liabilities		**101,102**	104,257	**31,897**	32,932
Net assets		**66,066**	65,191	**44,568**	44,292
Equity					
Share capital	14	**68,323**	68,323	**68,323**	68,323
Other reserves		**(8,151)**	(7,343)	**(3)**	(3)
Accumulated profits/(losses)		**5,894**	4,211	**(23,752)**	(24,028)
Total equity		**66,066**	65,191	**44,568**	44,292

C. Condensed interim statements of changes in equity

The Group

	Share capital $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2022	68,323	(6,539)	2,490	64,274
Profit for the period	-	-	2,877	2,877
Other comprehensive loss, net of tax:				
Currency translation differences arising from consolidation	-	(340)	-	(340)
Fair value loss on financial assets at fair value through other comprehensive income		(1)		(1)
Total comprehensive (loss)/income for the period	-	(341)	2,877	2,536
Balance at 30 June 2022	**68,323**	**(6,880)**	**5,367**	**66,810**
Balance at 1 January 2023	68,323	(7,343)	4,211	65,191
Profit for the period	-	-	1,683	1,683
Other comprehensive loss, net of tax:				
Currency translation differences arising from consolidation	-	(808)	-	(808)
Total comprehensive (loss)/income for the period	-	(808)	1,683	875
Balance at 30 June 2023	**68,323**	**(8,151)**	**5,894**	**66,066**

The Company

	Share capital $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2022	68,323	(3)	(24,407)	43,913
Total comprehensive income for the period	-	-	260	260
Balance at 30 June 2022	**68,323**	**(3)**	**(24,147)**	**44,173**
Balance at 1 January 2023	68,323	(3)	(24,028)	44,292
Total comprehensive income for the period	-	-	276	276
Balance at 30 June 2023	**68,323**	**(3)**	**(23,752)**	**44,568**

D. Condensed interim consolidated statement of cash flows

	The Group	
	6 months ended 30 June 2023 $'000	6 months ended 30 June 2022 $'000
Cash flows from operating activities:		
Profit before tax	**2,079**	3,565
Adjustments for:		
Depreciation of property, plant and equipment	**3,507**	2,807
Loss/(gain) on disposal of property, plant and equipment	**116**	(291)
Impairment loss of trade receivables and contract assets	**2,168**	-
Interest expense	**1,312**	541
Interest income from fixed deposits	**(288)**	(59)
Unrealised loss on foreign exchange	**634**	226
Operating cash flows before working capital changes	**9,528**	6,789
Changes in operating assets and liabilities:		
Inventories	**(701)**	(614)
Receivables	**(5,008)**	(4,575)
Contract assets	**2,331**	(1,612)
Contract liabilities	**(2,428)**	3,833
Payables	**2,860**	(1,910)
Currency translation adjustments	**1,089**	389
Cash generated from operations	**7,671**	2,300
Income tax paid	**(1,374)**	(11)
Net cash generated from operating activities	**6,297**	2,289
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	**320**	655
Purchase of property, plant and equipment	**(1,484)**	(2,823)
Net cash used in investing activities	**(1,164)**	(2,168)
Cash flows from financing activities:		
Drawdown of borrowings	**3,313**	291
Interest paid	**(1,290)**	(452)
Repayment of borrowings	**(6,148)**	(2,362)
Repayment of hire purchase payables	**(22)**	(89)
Uplift in fixed deposits pledged	**4**	-
Net cash used in financing activities	**(4,143)**	(2,612)
Net increase/(decrease) in cash and cash equivalents	**990**	(2,491)
Cash and cash equivalents at beginning of financial period	**3,331**	5,834
Effect of exchange rate changes on cash and cash equivalents	**(158)**	(81)
Cash and cash equivalents at end of financial period	**4,163**	3,262

Cash and cash equivalents are represented by:

	As at 30 June 2023 $'000	As at 30 June 2022 $'000
Cash and cash equivalents on the consolidated statement of financial position	**23,343**	23,165
Fixed deposits pledged	**(19,180)**	(19,903)
Cash and cash equivalents per consolidated statement of cash flows	**4,163**	3,262

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

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

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

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiary companies (collectively, the Group).

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

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

2. Basis of Preparation

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

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

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

2.1 New and amended standards adopted by the Group

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

2.2 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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

3. Seasonal operations

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

4. Segment information

The Group is organised into the following main business segments:

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

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

4.1 Reportable segments

1 January 2023 to 30 June 2023

	Property investment and development $'000	**Construction $'000**	**Prefabrication $'000**	**Others $'000**	**Eliminations $'000**	**Consolidated $'000**
Segment revenue						
Sales to external customers	**-**	**-**	**50,577**	**-**	**-**	**50,577**
Inter-segment sales	**-**	**-**	**-**	**1,058**	**(1,058)**	**-**
Total revenue	**-**	**-**	**50,577**	**1,058**	**(1,058)**	**50,577**
Segment (loss)/profit	**(368)**	**(414)**	**2,677**	**184**	**-**	**2,079**
Tax expense						**(396)**
Profit for the period						**1,683**
Segment assets	**73,531**	**5,141**	**79,955**	**8,541**	**-**	**167,168**
Segment liabilities	**25,556**	**16,657**	**56,482**	**2,407**	**-**	**101,102**

1 January 2022 to 30 June 2022

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

4.2 Geographical information (excluding non-current trade receivables)

	Revenues 6 months ended 30 June 2023 $'000	Non-current assets 30 June 2023 $'000
Singapore	50,577	58,257
Malaysia	-	17,093
Total	**50,577**	**75,350**

	6 months ended 30 June 2022 $'000	30 June 2022 $'000
Singapore	31,244	63,933
Malaysia	-	16,200
Total	**31,244**	**80,133**

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities held by the Group as at 30 June 2023 and 31 December 2022:

	The Group		The Company	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	$	$	**$**	$
Financial assets				
Cash and bank balances and trade and other receivables (amortised cost)	**55,705**	57,423	**16,112**	15,924
Financial assets at fair value through profit or loss	**466**	466	**-**	-
Financial assets at fair value through other comprehensive income	**10**	10	**10**	10
	56,181	57,899	**16,122**	15,934
Financial liabilities				
Trade and other payables and borrowings (amortised cost)	**92,422**	92,807	**31,690**	32,861
	92,422	92,807	**31,690**	32,861

6. Profit before taxation

6.1. Significant items

	The Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	$'000	$'000
Income		
Rental income	**199**	348
Sales of scrap metal	**190**	359
Government grant income	**33**	367
Expenses		
Impairment loss on trade receivables	**2,168**	2,280
Depreciation of property, plant and equipment	**3,507**	2,806
Directors' fees	**84**	84
Foreign exchange loss	**833**	235
Staff costs	**4,902**	4,254

6.2. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	6 months ended 30 June 2023	6 months ended 30 June 2022
	$'000	$'000
Maintenance fee charged by a related party	**8**	6

Related parties comprise mainly companies which are controlled by the Company's directors and their close family members.

7. Taxation

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

	6 months ended 30 June 2023	6 months ended 30 June 2022
	$'000	$'000
Income tax expense (current year)	**430**	692
Income tax credit (overprovision in respect of prior years)	**-**	(1)
Deferred tax credit (current year)	**(34)**	(7)
	396	684

8. Dividend

No dividend has been declared or recommended for the period ended 30 June 2023 (31 December 2022: nil).

As can be seen from the statements of financial position under Note B, as at 30 June 2023 although the Group had accumulated profits of $5.9 million, the Company had accumulated losses of $23.8 million. The Board had considered this, and furthermore of the view that while the Group was profitable for the financial period ended 30 June 2023, the Group's earnings and cash flow position were not strong enough to declare dividends at this point of time. This is prudent given that the Group is currently facing inflationary pressures for staff costs, raw materials costs and finance costs.

The Board always seeks to increase shareholders' returns, and it plans to declare dividends in future at an appropriate time when the Group's earnings and cash flow position are more stable, and the accumulated losses at Company level turn to accumulated profits.

9. Net Asset Value

	The Group		The Company	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	$	$	**$**	$
Net asset value per ordinary share	**1.27**	1.25	**0.86**	0.85

10. Financial assets at fair value through other comprehensive income

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

11. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to $1.5 million (30 June 2022: $2.9 million) and disposed of assets amounting to $0.4 million (30 June 2022: $0.3 million).

12. Investment properties

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

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

		30 June 2023	31 December 2022
Property type	**Tenure**	**$'000**	$'000
Commercial	70 years from 1993	**1,103**	1,103
Industrial	Freehold	**34,162**	34,162
Residential	Freehold	**5,640**	5,640
		40,905	40,905

12.1 Valuation

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

The last valuation of each investment property was conducted as at 31 December 2022.

13. Borrowings

	The Group		The Company	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	$'000	$'000	**$'000**	$'000
Amount repayable within one year, or on demand				
Secured	53,615	54,828	93	184
Unsecured	-	-	-	-
Amount repayable after one year				
Secured	4,778	6,164	259	259
Unsecured	-	-	-	-

Details of collaterals

Secured borrowings are collateralised by:

(1) Certain subsidiary companies of the Group have pledged their assets for the borrowings;

(2) First legal mortgages over certain subsidiary companies' investment properties, as well as assignment of all rights, titles and interests on all sale and tenancy agreements, building agreements, construction contracts, guarantees, performance bonds, insurance policies and any other contracts; and

(3) Corporate guarantees have been given by the Company to secure borrowings of certain subsidiary companies.

14. Share capital

During the period under review, there was no change in the Company's share capital. The total number of issued shares as at 30 June 2023 was 52,066,937 shares (31 December 2022: 52,066,937 shares).

The Company did not hold any treasury shares nor share options as at 30 June 2023 and 31 December 2022.

The Company's subsidiary companies did not hold any shares in the Company as at 30 June 2023 and 31 December 2022.

15. Subsequent events

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

F. Other information required by Listing Rule Appendix 7.2

16. Review

The condensed consolidated statement of financial position of Hor Kew Corporation Limited and its subsidiary companies as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

17. Review of performance of the Group

Consolidated statement of profit or loss and other comprehensive income

Revenue of the Group increased from $31.2 million in the six months ended 30 June 2022 ("1H 2022") to $50.6 million in the six months ended 30 June 2023 ("1H 2023") mainly due to increased deliveries of prefabricated building components.

Despite higher revenue in 1H 2023, the Group achieved a slightly lower gross profit of $9.7 million with gross profit margin of 19.0% in 1H 2023, compared to gross profit of $9.9 million and gross profit margin of 31.8% in 1H 2022. This was mainly due to the lower expected gross profit margins of the newer projects during project tenders, and unexpectedly high inflation eroding the projects' profit margins.

Interest income of the Group increased from $0.1 million in 1H 2022 to $0.3 million in 1H 2023 mainly due to higher interest rates for fixed deposits placed with banks.

Other income of the Group decreased from $1.6 million in 1H 2022 to $1.1 million in 1H 2023 due to decrease in rental income $0.3 million & decrease in government grant income $0.3 million.

General and administrative expenses decreased slightly from $5.2 million in 1H 2022 to $5.1 million in 1H 2023.

Finance costs increased significantly from $0.5 million in 1H 2022 to $1.3 million in 1H 2023 due to significant interest rate hikes by banks on the Group's borrowings.

Net impairment loss of financial and contract assets decreased slightly from $2.3 million in 1H 2022 to $2.2 million in 1H 2023.

Profit before tax of the Group was reported at $2.1 million for 1H 2023, $1.5 million lower than the $3.6 million for 1H 2022.

The Group recorded a tax expense of $0.4 million in 1H 2023 (1H 2022: tax expense of $0.7 million) after reviewing its current tax status.

After taking into consideration of the above, the Group recorded profit after tax of $1.7 million in 1H 2023 (1H 2022: $2.9 million).

There was a currency translation loss arising from consolidation of $0.8 million in 1H 2023 (1H 2022: $0.3 million) due to net investments in subsidiary companies operating in foreign countries.

Total comprehensive income of the Group was recorded at $0.9 million in 1H 2023 (1H 2022: $2.5 million).

Consolidated statement of financial position

Non-current assets decreased $1.5 million from $82.4 million as at 31 December 2022 to $80.9 million as at 30 June 2023, mainly due to $3.4 million decrease in property, plant and equipment, partially offset by $1.8 million increase in non-current trade receivables. Property, plant and equipment decreased mainly due to depreciation. Non-current trade receivables, which pertained to retention sums for projects held by customers not due within the next twelve months, increased mainly due to increase in goods deliveries.

Current assets decreased by $0.7 million from $87.0 million as at 31 Dec 2022 to $86.3 million as at 30 Jun 2023. Development properties fell $0.9 million from $17.6 million to $16.7 million due to depreciation of the Malaysian ringgit versus the Singapore dollar. Other receivables fell by $0.6 million due to reduction in deposits and settlement of payments with sundry debtors. Contract assets fell by $2.4 million due to utilisations of advance payments to suppliers. Inventories increased $0.4 million due to increase in production activities to cater for higher customer demands. Current trade receivables increased $1.6 million mainly due to increase in revenue as a result of higher deliveries of goods to customers. Cash and cash equivalents increased by $0.9 million mainly due to net cash generated from operating activities being more than the cash used in investing and financing activities.

In accordance with Financial Reporting Standards, the Group used a provision matrix to estimate the expected credit loss ("ECL") allowance required for its trade receivables as at 30 June 2023. Based on the matrix, the Group estimated the ECL rates based on historical observed default rates, and then adjusted these rates based on forward-looking factors specific to the debtors and economic environment. Retention sums under non-current trade receivables were also impaired where needed. Using this methodology, the Group was required to top up its ECL allowance as at 30 June 2023 by $2.2 million, so it had provided for total impairment loss on trade receivables of $20.8 million for the financial period ended 30 June 2023.

Below shows the ageing profile of the Group's current and non-current trade receivables as at 30 June 2023, in bands of 3 months:

	Not yet due $'000	**1 to 3 months $'000**	**4 to 6 months $'000**	**7 to 9 months $'000**	**10 to 12 months $'000**	**>12 months $'000**	**Total $'000**
Current trade receivables	19,294	6,996	4,042	3,506	1,703	17,172	52,713
Non-current trade receivables (retention sums not due within next twelve months)	-	-	-	-	-	5,516	5,516
Impairment loss on trade receivables	(667)	(376)	(458)	(2,100)	(1,648)	(15,574)	(20,823)
	18,627	**6,620**	**3,584**	**1,406**	**55**	**7,114**	**37,406**

The Board had assessed this impairment loss on trade receivables of $20.8 million to be adequate for the financial period ended 30 Jun 2023, and that the total current and non-current trade receivables after impairment of $37.4 million as at 30 June 2023 to be recoverable.

Total assets of the Group decreased $2.2 million from $169.4 million as at 31 December 2022 to $167.2 million as at 30 June 2023.

Non-current liabilities fell by $1.4 million from $8.0 million as at 31 December 2022 to $6.6 million as at 30 June 2023 due to decrease in non-current borrowings. Non-current borrowings decreased $1.4 million from $6.2 million as at 31 December 2022 to $4.8 million as at 30 June 2023 due to net repayments to bring down the Group's borrowings.

Current liabilities fell by $1.7 million from $96.2 million as at 31 December 2022 to $94.5 million as at 30 June 2023. Contract liabilities fell $2.4 million due to fulfillments for advance payments received from customers. Other payables fell by $0.4 million, from $5.6 million to $5.2 million, due to net settlements of payments with sundry creditors. Current borrowings fell by $1.2 from $54.8 million as at 31 December 2022 to $53.6 million as at 30 June 2023 due to net repayments to reduce the Group's borrowings. Tax payables fell by $0.9 million mainly due to payments of tax liabilities being more than tax provision in 1H 2023. Trade payables increased by $3.3 million mainly due to increase in business volume as well as cash flow management.

The Group had a negative working capital (that is, net current liabilities) of $8.2 million as at 30 June 2023 mainly because a $25.0 million term loan due for repayment on 31 October 2023 was classified under current liabilities as at 30 June 2023.

The bank financing this $25.0 million term loan has agreed to refinance this term loan for another two years when it falls due on 31 October 2023, so it is therefore not payable at this date. If this term loan amount of $25 million were to be excluded from current liabilities, the Group would have a positive working capital (that is, net current assets) of $16.8 million.

The Board has assessed the financial position of the Company and the Group considering above loan refinancing, and is confident that the Company and the Group has the ability to meet their short-term obligations as and when they fall due.

Total liabilities of the Group decreased from $104.3 million as at 31 December 2022 to $101.1 million as at 30 June 2023.

The net assets of the Group recorded as at 30 June 2023 was $66.1 million, an increase of $0.9 million from 31 December 2022 mainly due to profits earned in the period.

Consolidated statement of cash flows

The Group generated net cash of $6.3 million from its operating activities in 1H 2023.

It used $1.2 million in investing activities mainly for purchasing of property, plant and equipment.

It used $4.2 million in financing activities mainly due to repayment of borrowings.

Overall, the Group generated $0.9 million in 1H 2023, and the cash and cash equivalents stood at $4.2 million as at 30 June 2023.

18. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group’s actual results are in line with the commentary of the Group’s previous results announcement (2022 full year financial statements announcement) released on 1 March 2023.

19. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months.

Increasing staff and raw material costs had eroded the Group’s gross profit margins. The Group will closely monitor its financial results and cash flow position, and timely carry out necessary improvements or corrective actions.

20. Interested person transactions

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

There were no interested person transactions for the six-month period ended 30 June 2023.

The Group’s trade receivables as at 30 June 2023 and 31 December 2022 included $3.5 million receivable by one of the Company’s subsidiary companies Prefab Technology 3 Pte Ltd (“PFT3”) from related party Triton Metal Supplies Pte Ltd (“Triton”), which arose from a Mandai depot project previously completed by PFT3 for Triton. The sole owner and director of Triton, Mr Benson Aw Zhixian, is the brother of the Company’s executive directors Mr Benjamin Aw Chi-Ken and Ms Elicia Aw Ying Ying. PFT3 had disputes with Triton for its trade receivable amount of $2.6 million and trade payable amount of $2.2 million, as well as the retention sum amount for this project of $0.9 million. The net amount receivable from Triton in PFT3’s books of $0.4 million and retention sum of $0.9 million totaled $1.3 million. On top of the various disputes, Triton claimed that it did not have the ability to repay PFT3 as it had not been able to recover huge receivables amounts from its customer Amxon Constructors Pte. Ltd. (“Amxon”) for this Mandai depot project. Numerous attempts were made by PFT3 to collect this $1.3 million from Triton but were unsuccessful. The Group therefore made full impairment for this $1.3 million since the financial year ended 31 December 2021, and continued to fully impair it as at 30 June 2023.

Despite the above-said full impairment, PFT3 continued to attempt to resolve the trade disputes from Triton and recover its retention sum. However, Triton itself was also pursuing trade receivables for this Mandai depot project from Amxon via legal means from end of year 2021 onwards. Thereafter, Triton managed to reach a settlement agreement with Amxon. With that, Amxon started making installment payments to Triton so PFT3 was able to collect $60,035 from Triton between February 2022 and August 2022, after which Triton stopped the installment payments to PFT3, with Triton citing the reason being Amxon had stopped fulfilling its installment payments to them. Triton then once again made legal claims against Amxon so PFT3 gave Triton some time to settle its case with Amxon. In February 2023, Triton and Amxon concluded a fresh settlement agreement, whereby Amxon promised to pay Triton a lump sum payment of $250,000 and another $695,000 by instalments over 48 months. In spite of concluding a new settlement agreement with Amxon, Triton did not resume its installment payments to PFT3. After multiple attempts made to engage Triton to resume their installment amounts failed, in July 2023 PFT3 issued a legal demand letter against Triton. If Triton does not make additional payments, PFT3 shall pursue further legal actions against Triton.

Further significant developments of the Triton case would be reported to the Audit Committee.

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

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

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
14 August 2023

Confirmation by the Board

Pursuant to Rule 705(5) of the Listing Manual, on behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that, to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

MR BENJAMIN AW CHI-KEN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

MS ELICIA AW YING YING
EXECUTIVE DIRECTOR

Singapore
14 August 2023