



2020 Third-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 THIRD-QUARTER ENDED 30 SEPTEMBER 2020

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 September 2020.

	Group					
	3Q 2020	3Q 2019	% Variance	9M 2020	9M 2019	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	12,817	17,878	(28)	28,958	46,410	(37)
Cost of sales	(9,731)	(14,910)	(35)	(25,587)	(43,853)	(42)
Gross profit	3,086	2,968	4	3,371	2,557	32
Interest income from fixed deposits	34	69	(51)	189	322	(41)
Other income	1,977	267	NM	3,876	1,507	NM
	5,097	3,304	(37)	7,436	4,386	(70)
Expenses						
General and administrative expenses	1,496	2,275	(34)	5,560	7,005	(21)
Finance costs	299	546	(45)	1,353	1,604	(16)
Interest expense on leases	-	8	NM	-	23	NM
Net impairment on financial and contract assets	4,600	-	NM	4,600	408	NM
	6,395	2,829	NM	11,513	9,040	27
(Loss)/profit before tax	(1,298)	475	NM	(4,077)	(4,654)	(12)
Tax (expense)/credit	(11)	5	NM	(1)	(29)	(97)
(Loss)/profit for the period	(1,309)	480	NM	(4,078)	(4,683)	(13)
Other comprehensive income/(loss)						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	124	39	NM	32	65	(50)
Other comprehensive (loss)/income for the period, net of tax	124	39	NM	32	-	NM
Total comprehensive (loss)/income for the period	(1,185)	519	NM	(4,046)	(4,683)	(14)
(Loss)/earnings per share						
Basic (cents)	(2.52)	0.92	NM	(7.84)	(8.99)	12
Diluted (cents)	(2.52)	0.92	NM	(7.84)	(8.99)	12

NM Not meaningful

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

	Group					
	3Q 2020	3Q 2019	% Variance	9M 2020	9M 2019	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Foreign exchange gain	840	-	NM	1,311	-	NM
Gain on disposal of property, plant and equipment	105	128	(18)	59	81	(27)
Rental income	105	177	(41)	624	713	(12)
Sales of scrap metal	39	24	58	178	221	(19)
Sundry income	1,039	66	NM	1,704	573	NM

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

	Group					
	3Q 2020	3Q 2019	% Variance	9M 2020	9M 2019	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Impairment loss on trade receivables	4,600	(30)	NM	4,600	408	NM
Depreciation of property, plant and equipment	1,337	207	43	3,963	3,936	28
Directors' fees	27	26	4	78	78	(3)
Fair value loss/(gain) on derivative financial instruments	(104)	4	NM	224	(32)	NM
Foreign exchange loss	-	59	NM	-	641	NM
Staff costs	1,568	2,844	14	5,460	8,066	12

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

	Group					
	3Q 2020	3Q 2019	% Variance	9M 2020	9M 2019	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(17)	(1)	NM	(21)	(2)	NM
- (over)/under provision in respect of prior years	-	-	NM	-	4	NM
	(17)	(1)	NM	(21)	2	NM
Deferred tax:						
- current year	6	6	-	20	(31)	NM
	(11)	5	NM	(1)	(29)	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 September 2020	31 December 2019	30 September 2020	31 December 2019
Non-current assets				
Property, plant and equipment	41,596	42,916	79	144
Investment properties	39,989	39,989	-	-
Investment in subsidiary companies	-	-	48,383	48,383
Trade receivables	7,840	7,350	-	-
Loan to a third party	1,321	1,318	-	-
	90,746	91,573	48,462	48,527
Current assets				
Development properties	18,974	18,923	-	-
Inventories	10,059	8,998	-	-
Trade receivables	15,365	21,165	-	-
Other receivables	1,533	1,237	10,685	8,596
Contract assets	-	195	-	2,016
Financial assets at fair value through other comprehensive income	18	18	16	16
Cash and cash equivalents	28,292	27,939	121	282
	74,241	78,475	10,822	10,910
Total assets	164,987	170,048	59,284	59,437
Non-current liabilities				
Borrowings	32,709	31,455	-	-
Deferred tax liabilities	2,345	2,313	-	-
	35,054	33,768	-	-
Current liabilities				
Trade payables	24,838	27,600	-	-
Other payables	3,256	3,631	35,612	34,798
Contract liabilities	3,927	3,817	-	-
Borrowings	41,008	39,314	-	-
Hire purchase payables	-	-	37	54
Provisions	340	1,533	-	-
Derivative financial instruments	500	275	-	-
Tax payables	12	12	-	-
	73,881	76,182	35,649	35,852
Total liabilities	108,935	109,950	35,649	35,852
Net assets	56,052	60,098	23,635	24,585
Equity				
Share capital	68,323	68,323	68,323	68,323
Other reserves	(6,329)	(6,361)	3	3
Accumulated losses	(5,942)	(1,864)	(44,691)	(43,741)
Total equity	56,052	60,098	23,635	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 30 September 2020 (\$'000)		As at 31 December 2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
41,008	-	39,314	-

(b) Amount repayable after one year

As at 30 September 2020 (\$'000)		As at 31 December 2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
32,709	-	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			
	3Q 2020	3Q 2019	9M 2020	9M 2019
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Loss)/profit before tax	(1,298)	475	(4,077)	(4,654)
Adjustments for:				
Depreciation of property, plant and equipment	1,306	101	3,820	3,936
Dividend income	-	-	-	-
Fair value (gain)/loss on derivative financial instruments	(104)	4	224	(32)
(Gain)/loss on disposal of property, plant and equipment	(13)	107	(59)	154
Interest expense	299	275	1,353	1,333
Interest income from fixed deposits	(33)	(69)	(188)	(322)
Unrealised (gain)/loss on foreign exchange	(605)	194	(1,274)	582
Operating cash flows before working capital changes	1,057	1,057	(201)	1,405
Changes in operating assets and liabilities:				
Inventories	705	272	(1,276)	374
Receivables	(756)	(756)	5,013	(1,600)
Payables	968	(3,113)	(4,412)	(2,633)
Currency translation adjustments	303	960	428	422
Cash generated from operations	(929)	(1,580)	(255)	(2,032)
Tax refunded	1	-	6	1
Net cash used in operating activities	(928)	(1,580)	(249)	(2,031)
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	26	1,274	194	1,148
Dividend received	1	1	1	1
Purchase of property, plant and equipment	(1,142)	-	(2,493)	(1,703)
Net cash (used in)/generated from investing activities	(1,115)	1,275	(2,298)	(554)
Cash flows from financing activities:				
Drawdown of borrowings	2,383	5,727	5,185	12,434
Interest paid	(300)	(548)	(1,330)	(1,579)
Repayment of borrowings	2	(5,955)	(1,985)	(11,233)
Repayment of hire purchase payables	(84)	(118)	(329)	(369)
Net cash generated from/(used in) financing activities	2,001	(894)	1,541	(747)
Net decrease in cash and cash equivalents	(42)	(1,199)	(1,006)	(3,332)
Cash and cash equivalents at beginning of financial period	1,011	2,435	1,999	4,587
Effect of exchange rate changes on cash and cash equivalents	31	20	8	1
Cash and cash equivalents at end of financial period	1,001	1,256	1,001	1,256

Cash and cash equivalents are represented by:

	Group	
	30 September 2019	30 September 2019
	\$'000	\$'000
Cash and cash equivalents on the consolidated statement of financial position	28,292	27,185
Fixed deposits pledged	(27,291)	(25,929)
Cash and cash equivalents per consolidated statement of cash flows	1,001	1,256

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	-	-	(4,683)	(4,683)
Other comprehensive income:				
Currency translation differences arising from consolidation	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	(4,683)	(4,683)
Balance at 30 September 2019	68,323	(6,339)	(7,447)	54,537
Balance at 1 January 2020	68,323	(6,361)	(1,864)	60,098
Loss for the period	-	-	(4,078)	(4,078)
Other comprehensive income :				
Currency translation differences arising from consolidation	-	32	-	32
Total comprehensive income/(loss) for the period	-	32	(4,078)	(4,046)
Balance at 30 September 2020	68,323	(6,329)	(5,942)	56,052

	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
Loss and total comprehensive loss for the period	-	-	(1,893)	(1,893)
Balance at 30 September 2019	68,323	4	(45,571)	22,756
Balance at 1 January 2020	68,323	3	(43,741)	24,585
Total comprehensive loss for the period	-	-	(950)	(950)
Balance at 30 September 2020	68,323	3	(44,691)	23,635

- 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.

The Company did not hold any treasury shares nor subsidiary holdings as at 30 September 2020 (30 September 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 30 September 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, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 September 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 30 September 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 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.**

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			
	3Q 2020 Ended 30 September 2020	3Q 2019 Ended 30 September 2019	9M 2020 Ended 30 September 2020	9M 2019 Ended 30 September 2019
(Loss)/profit attributable to equity holders of the Company	\$'000 (1,308)	\$'000 480	\$'000 (4,077)	\$'000 (4,683)
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			
	3Q 2020 Ended 30 September 2020	3Q 2019 Ended 30 September 2019	9M 2020 Ended 30 September 2020	9M 2019 Ended 30 September 2019
Basic (loss)/earnings per share	cents (2.52)	cents 0.92	cents (7.84)	cents (8.99)
Diluted (loss)/earnings per share	(2.52)	0.92	(7.84)	(8.99)

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 September 2020	31 December 2019	30 September 2020	31 December 2019
Net asset value per ordinary share	\$ 1.08	\$ 1.15	\$ 0.45	\$ 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 by \$5.1 million from \$17.9 million in 3Q 2019 to \$12.8 million in 3Q 2020. The decrease was mainly due to decrease in deliveries of precast products.

The Group had a gross profit margin of 17% in 3Q 2019 compared to gross profit margin of 24% in 3Q 2020, mainly due to better profit margins of newer projects.

Other income increased by \$1.7 million from \$0.3 million in 3Q 2019 to \$2.0 million in 3Q 2020 mainly due to foreign exchange gain and government grants.

General and administrative expenses decreased from \$2.3 million in 3Q 2019 to \$1.5 million in 3Q 2020. This was mainly due to decrease in staff costs.

Finance costs of the Group decreased from \$0.5 million in 3Q 2019 to \$0.3 million in 3Q 2020 mainly due to lower interest rates on borrowings.

Loss before tax of the Group was reported at \$1.3 million for 3Q 2020, compared to a profit before tax of \$0.5 million for 3Q 2019.

The Group recorded a tax expense of \$11,000 for 3Q 2020 (3Q 2019: tax credit of \$5,000) after reviewing its current tax status.

After consideration of the above, the Group recorded loss after tax of \$1.3 million in 3Q 2020 (3Q 2019: profit after tax of \$0.5 million).

The Group had other comprehensive income of \$124,000 from unfavourable foreign currency movements in foreign subsidiaries in 3Q 2020 (3Q 2019: other comprehensive income of \$39,000).

The Group reported total comprehensive loss of \$1.2 million in 3Q 2020 (3Q 2019: total comprehensive income of \$0.5 million).

Statement of financial position

Total assets of the Group decreased from \$170.0 million as at 31 December 2019 to \$165.0 million as at 30 September 2020 mainly due to fall in trade receivables.

Property, plant and equipment decreased by \$1.3 million mainly due to depreciation charged during the reporting period. Inventories increased by \$1.0 million mainly due to build-up of stocks due to slower than expected orders by customers.

Current assets fell \$4.3 million due mainly to \$5.8 million fall in trade receivables

Non-current borrowings increased by \$1.2 million and current borrowings increased by \$1.7 million from 31 December 2019.

Trade payables fell by \$2.8 million due to lower volume of business.

Total liabilities of the Group at 30 September 2020 fell by \$1.1 million from 31 December 2019.

The net assets of the Group recorded as at 30 September 2020 was \$56.1 million.

Statement of cash flows

The Group used net cash of \$0.9 million from its operating activities in 3Q 2020.

It used \$1.1 million in investing activities, mainly in the purchase of property, plant and equipment.

It generated \$2.0 million in financing activities, mainly from loan drawdowns.

Overall, the Group used \$42,000 cash in 3Q 2020, and the cash and cash equivalents stood at \$1.0 million as at 30 September 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 (2Q 2020 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.

During the circuit breaker period, almost all construction activities in Singapore were suspended under government measures to control the COVID-19 situation, and this led to the Group's results to suffer significantly in 2Q 2020. Construction activities progressively resumed during 3Q 2020 so the Group's business has picked up steadily. The Group will monitor its results closely and also take the appropriate cost control measures should the construction industry soften in the coming months.

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 September 2020.

13. Interested person transactions

There were no interested person transactions for the period ended 30 September 2020.

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
13 November 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 30 September 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

MS ELICIA AW YING YING
EXECUTIVE DIRECTOR

13 November 2020