



2018 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 2018

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

	Group					
	3Q 2018	3Q 2017	% Variance	9M 2018	9M 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	12,516	12,886	(3)	34,378	45,386	(24)
Cost of sales	(16,804)	(11,602)	45	(40,181)	(39,515)	2
Gross (loss)/profit	(4,288)	1,284	NM	(5,803)	5,871	NM
Other income	763	646	18	2,193	2,013	9
	(3,525)	1,930	NM	(3,610)	7,884	NM
Expenses						
General and administrative expenses	4,472	2,318	93	10,683	6,938	54
Finance costs	416	298	40	1,089	864	26
	4,888	2,616	87	11,772	7,802	51
(Loss)/profit before tax	(8,413)	(686)	NM	(15,382)	82	NM
Tax credit	3	4	(25)	30	16	88
(Loss)/profit for the period	(8,410)	(682)	NM	(15,352)	98	NM
Other comprehensive (loss)/income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(322)	34	NM	65	(88)	NM
Fair value gain on available-for-sale financial assets	-	-	NM	-	2	NM
Other comprehensive (loss)/income for the period, net of tax	(322)	34	NM	65	(86)	NM
Total comprehensive (loss)/income for the period	(8,732)	(648)	NM	(15,287)	12	NM
(Loss)/earnings per share						
Basic (cents)	(16.15)	(1.31)	NM	(29.49)	0.19	NM
Diluted (cents)	(16.15)	(1.31)	NM	(29.49)	0.19	NM

NM Not meaningful

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

	Group					
	3Q 2018	3Q 2017	% Variance	9M 2018	9M 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Dividend income	-	-	NM	1	-	NM
Foreign exchange gain	-	127	NM	-	449	NM
Gain/(loss) on disposal of property, plant and equipment	35	(5)	NM	104	25	NM
Interest income from fixed deposits	114	100	14	334	304	10
Rental income	263	305	(14)	855	895	(4)
Sundry income	351	119	NM	899	340	NM

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

	Group					
	3Q 2018	3Q 2017	% Variance	9M 2018	9M 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Allowance for doubtful receivables	1,139	-	NM	1,904	-	NM
Depreciation of property, plant and equipment	1,577	1,103	43	4,215	3,288	28
Directors' fees	26	25	4	78	80	(3)
Loss on settlement of derivative financial instruments	-	1	NM	-	3	NM
Foreign exchange loss	898	-	NM	1,437	-	NM
Operating lease expenses	197	162	(10)	510	549	(7)
Staff costs	3,085	2,718	14	8,890	7,965	12
Write-back of allowance for doubtful receivables	-	(31)	NM	-	(73)	NM

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

	Group					
	3Q 2018	3Q 2017	% Variance	9M 2018	9M 2017	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(1)	(2)	(50)	(5)	(5)	-
- (over)/under provision in respect of prior years	(2)	-	NM	15	2	NM
	(3)	(2)	100	10	(3)	NM
Deferred tax:						
- current year	6	6	NM	20	19	5
	3	4	(25)	30	16	88

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 2018	31 December 2017 (Restated)	1 January 2017 (Restated)	30 September 2018	31 December 2017
Non-current assets					
Property, plant and equipment	46,730	47,157	47,518	246	305
Investment properties	34,847	34,847	34,799	-	-
Investment in subsidiary companies	-	-	-	48,862	49,019
Trade receivables	5,558	4,502	4,185	-	-
Club membership	-	-	34	-	-
	87,135	86,506	86,536	49,108	49,324
Current assets					
Development properties	18,997	18,998	18,554	-	-
Completed development properties held for sale	3,384	3,384	9,672	-	-
Inventories	9,016	7,006	7,525	-	-
Trade receivables	22,086	25,976	28,064	-	-
Other receivables	1,835	743	1,028	46,291	43,312
Available-for-sale financial assets	21	21	16	19	19
Cash and cash equivalents	32,094	30,049	29,371	34	24
	87,433	86,177	94,230	46,344	43,355
Total assets	174,568	172,683	180,766	95,452	92,679
Non-current liabilities					
Borrowings	7,008	2,746	28,269	-	-
Hire purchase payables	206	314	473	-	-
Deferred tax liabilities	2,656	2,676	2,634	-	-
	9,870	5,736	31,376	-	-
Current liabilities					
Trade payables	21,976	16,132	18,821	-	-
Other payables	7,440	2,429	3,211	25,632	22,919
Borrowings	57,031	54,655	32,090	-	-
Hire purchase payables	746	939	445	82	98
Derivative financial instruments	-	-	250	-	-
Tax payables	13	13	132	1	2
	87,206	74,168	54,949	25,715	23,019
Total liabilities	97,076	79,904	86,325	25,715	23,019
Net assets	77,492	92,779	94,441	69,737	69,660
Equity					
Share capital	68,323	68,323	68,323	68,323	68,323
Share option reserve	-	-	8	-	-
Other reserves	(6,312)	(6,377)	(6,803)	7	7
Accumulated profits	15,481	30,833	32,913	1,407	1,330
Total equity	77,492	92,779	94,441	69,737	69,660

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 2018 (\$'000)		As at 31 December 2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
57,777	-	55,594	-

(b) Amount repayable after one year

As at 30 June 2018 (\$'000)		As at 31 December 2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
7,214	-	3,060	-

Details of collaterals:

- (1) Certain subsidiary companies of the Group have pledged their assets for the borrowings;
- (2) First legal mortgages over certain subsidiary companies' investment properties, as well as assignment of all rights, titles and interests on all sale and tenancy agreements, building agreements, construction contracts, guarantees, performance bonds, insurance policies and any other contracts; and
- (3) Corporate guarantees given by the Company to secure borrowings of certain subsidiary companies.

1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	3Q 2018	3Q 2017	9M 2018	9M 2017
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Loss)/profit before tax	(8,413)	(686)	(15,382)	82
Adjustments for:				
Allowance for doubtful receivables	1,139	-	1,904	-
Depreciation of property, plant and equipment	1,577	1,103	4,215	3,288
Dividend income	(1)	-	(1)	-
Loss on settlement of derivative financial instruments	-	1	-	3
(Gain)/loss on disposal of property, plant and equipment	(35)	5	(104)	(25)
Interest expense	416	298	1,089	864
Interest income from fixed deposits	(114)	(100)	(334)	(304)
Unrealised loss/(gain) on foreign exchange	588	(104)	1,434	(528)
Operating cash flows before working capital changes	(4,843)	517	(7,179)	3,380
Changes in operating assets and liabilities:				
Development properties and completed development properties held for sale	-	-	-	4,735
Inventories	(359)	804	(2,009)	604
Receivables	(661)	1,276	(169)	1,130
Payables	7,022	(125)	10,831	(4,295)
Currency translation adjustments	372	(33)	66	24
Cash generated from operations	1,531	2,439	1,540	5,578
Tax refunded/(paid)	2	(31)	15	(127)
Net cash generated from operating activities	1,533	2,408	1,555	5,451
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	36	209	105	295
Dividend received	1	-	1	-
Payment for settlement of derivative financial instruments	-	(1)	-	(253)
Purchase of property, plant and equipment	(2,090)	(578)	(3,799)	(1,504)
Net cash used in investing activities	(2,053)	(370)	(3,693)	(1,462)
Cash flows from financing activities:				
Drawdown of borrowings	7,735	672	10,493	2,479
Interest paid	(415)	(292)	(1,063)	(864)
Repayment of borrowings	(1,594)	(514)	(3,764)	(4,072)
Repayment of hire purchase payables	(112)	(124)	(327)	(328)
Placement of fixed deposits	(3,156)	-	(3,156)	-
Net cash generated from/(used in) financing activities	2,458	(258)	2,183	(2,785)
Net increase in cash and cash equivalents	1,938	1,780	45	1,204
Cash and cash equivalents at beginning of financial period	2,849	3,896	4,728	4,478
Effect of exchange rate changes on cash and cash equivalents	(69)	-	(55)	(6)
Cash and cash equivalents at end of financial period	4,718	5,676	4,718	5,676

Cash and cash equivalents are represented by:

	Group	
	30 September 2018	30 September 2017
	\$'000	\$'000
Cash and cash equivalents on the consolidated statement of financial position	32,094	31,367
Fixed deposits pledged	(27,376)	(25,691)
Cash and cash equivalents per consolidated statement of cash flows	4,718	5,676

1. (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Group:					
Balance at 1 January 2017	68,323	8	16,183	9,927	94,441
Effect of changes in accounting policy upon adoption of SFRS-(I) 1	-	-	(22,986)	22,986	-
Balance at 1 January 2017 (restated)	68,323	8	(6,803)	32,913	94,441
Profit for the period	-	-	-	98	98
Other comprehensive (loss)/income:					
Currency translation differences arising from consolidation	-	-	(88)	-	(88)
Fair value gain on available-for-sale financial assets	-	-	2	-	2
Total comprehensive (loss)/income for the period	-	-	(86)	98	12
Reclassification upon lapse of share options	-	(8)	-	8	-
Balance at 30 September 2017	68,323	-	(6,889)	33,019	94,453
Balance at 1 January 2018	68,323	-	17,754	6,702	92,779
Effect of changes in accounting policy upon adoption of SFRS-(I) 1	-	-	(24,131)	24,131	-
Balance at 1 January 2018 (restated)	68,323	-	(6,377)	30,833	92,779
Loss for the period	-	-	-	(15,352)	(15,352)
Other comprehensive income :					
Currency translation differences arising from consolidation	-	-	65	-	65
Total comprehensive income/(loss) for the period	-	-	65	(15,352)	(15,287)
Balance at 30 September 2018	68,323	-	(6,312)	15,481	77,492

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated (losses)/ profits \$'000	Total equity \$'000
Company:					
Balance at 1 January 2017	68,323	8	1	(2,867)	65,465
Loss for the period	-	-	-	(12)	(12)
Fair Value gain of AFS	-	-	3	-	3
Total comprehensive income/(loss) for the period	-	-	3	(12)	(9)
Reclassification upon lapse of share options	-	(8)	-	8	-
Balance at 30 September 2017	68,323	-	4	(2,871)	65,456
Balance at 1 January 2018	68,323	-	7	1,330	69,660
Profit and total comprehensive income for the period	-	-	-	77	77
Balance at 30 September 2018	68,323	-	7	1,407	69,737

- 1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the period under review, there is no change in the Company's share capital. No share option was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 September 2018, nil (30 September 2017: nil) share options representing approximately 0.00% (30 September 2017: 0.00%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares nor subsidiary holdings as at 30 September 2018 (30 September 2017: Nil).

- 1. (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2018 is 52,066,937 shares (31 December 2017: 52,066,937 shares).

- 1. (d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 September 2018.

- 1. (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There was no sale, transfer, cancellation and/or use of subsidiary holdings as at current financial period ended 30 September 2018.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as on the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

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

Except for the above, the adoption of the new SFRS(I) does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior periods.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following:

	Group			
	3Q 2018 Ended 30 September 2018	3Q 2017 Ended 30 September 2017	9M 2018 Ended 30 September 2018	9M 2017 Ended 30 September 2017
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit attributable to equity holders of the Company	(8,410)	(682)	(15,352)	98
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue				
- 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 2018 Ended 30 September 2018	3Q 2017 Ended 30 September 2017	9M 2018 Ended 30 September 2018	9M 2017 Ended 30 September 2017
	Cents	cents	cents	cents
Basic (loss)/earnings per share	(16.15)	(1.31)	(29.49)	0.19
Diluted (loss)/earnings per share	(16.15)	(1.31)	(29.49)	0.19

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	31 December	30 September	31 December
	2018	2017	2018	2017
	\$	\$	\$	\$
Net asset value per ordinary share	1.49	1.78	1.34	1.34

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: - (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of comprehensive income

Revenue of the Group fell by \$0.4 million from \$12.9 million in 3Q 2017 to \$12.5 million in 3Q 2018. The decrease was mainly because there was \$1.1 million revenue generated from construction activities in 3Q 2017 but nil in 3Q 2018.

The Group suffered a negative gross margin of 34% in 3Q 2018 compared to gross profit margin of 10% in 3Q 2017, mainly due to stiff industry competition, unfavourable market conditions and rising material costs in our prefabrication projects.

Other income increased by \$0.2 million from \$0.6 million in 3Q 2017 to \$0.8 million in 3Q 2018 mainly due to increase in income from sale of scrap metal and building materials.

General and administrative expenses increased by \$2.2 million from \$2.3 million in 3Q 2017 to \$4.5 million in 3Q 2018. This was mainly due to \$1.1 million increase in allowance for doubtful receivables and \$0.9 million increase in exchange loss.

Finance costs of the Group increased from \$0.3 million in 3Q 2017 to \$0.4 million in 3Q 2018 mainly due to rising interest rates.

Loss before tax of the Group was reported at \$8.4 million for 3Q 2018, compared to a loss before tax of \$0.7 million for 3Q 2017.

The Group recorded a tax credit of \$3K for 3Q 2018 (3Q 2017: \$4K) after reviewing its current tax status.

After consideration of the above, the Group recorded loss after tax of \$8.4 million in 3Q 2018 (3Q 2017: loss after tax of \$0.7 million).

The Group suffered other comprehensive loss of \$322K from unfavourable foreign currency movements in foreign subsidiaries in 3Q 2018 (3Q 2017: other comprehensive income of \$34K).

The Group reported total comprehensive loss of \$8.7 million in 3Q 2018 (3Q 2017: total comprehensive loss of \$0.6 million).

Statement of financial position

Total assets of the Group increased by \$1.9 million from \$172.7 million as at 31 December 2017 to \$174.6 million as at 30 September 2018.

Current trade receivables decreased \$3.9 million mainly due to improvement in collections from customers and provision for doubtful debts while property, plant and equipment decreased by \$0.5 million mainly due to depreciation charged during the reporting period. Inventories increased by \$2.0 million due to increase in on-going precast activities.

Non-current trade receivables increased by \$1.1 million mainly due to retention sum withheld for on-going precast projects.

Total liabilities of the Group increased by \$17.2 million from \$79.9 million as at 31 December 2017 to \$97.1 million as at 30 September 2018.

Trade payables increased \$5.9 million from \$16.1 million as at 31 December 2017 to \$22.0 million as at 30 September 2018. Other payables increased \$5.0 million from \$2.4 million as at 31 December 2017 to \$7.4 million as at 30 September 2018 mainly due to advance collections from a customer.

Borrowings increased \$6.6 million from \$57.4 million as at 31 December 2017 to \$64.0 million as at 30 September 2018.

The net assets of the Group recorded as at 30 September 2018 was \$77.5 million.

Statement of cash flows

The Group generated net cash of \$1.5 million from its operating activities in 3Q 2018.

It used \$2.1 million in investing activities, mainly for purchasing of property, plant and equipment.

It generated \$2.5 million in financing activities, mainly due to increase in net borrowings of \$6.1 million and placement of \$3.2 million in fixed deposits.

Overall, the Group generated \$1.9 million in 3Q 2018, and the cash and cash equivalents stood at \$4.7 million as at 30 September 2018.

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

The Group's actual results are in line with the commentary under paragraph 10 of the Group's previous results announcement (2Q 2018 financial statements announcement).

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

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

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year.

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable.

Not applicable.

(d) Books closure date.

Not applicable.

(e) Total cumulative dividend (net).

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

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

13. Interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Triton Metal Supplies Pte Ltd	\$3,655,000	Nil

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
14 November 2018

CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its directors and executive officers in the revised format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

STATEMENT PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the period ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR DENNIS AW KHOON HWEE
EXECUTIVE CHAIRMAN/CEO

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

14 November 2018