



2016 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 2016

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the first-quarter ended 31 March 2016.

	Group		
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015	% Variance
	\$'000	\$'000	+ / (-)
Revenue	13,653	20,470	(33)
Cost of sales	(11,517)	(18,249)	(37)
Gross profit	2,136	2,221	(4)
Other income	1,148	1,093	5
	3,284	3,314	(1)
Expenses			
General and administrative expenses	2,273	3,474	(35)
Finance costs	378	297	27
	2,651	3,771	(30)
Profit/(loss) before tax	633	(457)	NM
Tax credit/(expense)	4	(15)	NM
Profit/(loss) for the period	637	(472)	NM
Other comprehensive income/(loss):			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	843	(550)	NM
Currency translation differences reclassified to profit or loss upon liquidation of a subsidiary	-	(7)	NM
Fair value loss on available-for-sale financial assets	-	(5)	NM
Other comprehensive income/(loss) for the period, net of tax	843	(562)	NM
Total comprehensive income/(loss) for the period	1,480	(1,034)	NM
Earnings/(loss) per share		(Restated)	
Basic (cents)	1.22	(0.91)	NM
Diluted (cents)	1.22	(0.91)	NM

NM Not meaningful

Notes:

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

	Group		
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015	% Variance
	\$'000	\$'000	+ / (-)
Fair value gain on derivative financial instruments	130	-	NM
Foreign exchange gain	407	-	NM
Gain on disposal of property, plant and equipment	19	373	(95)
Interest income from fixed deposits	192	211	(9)
Rental income	293	308	(5)
Sundry income	107	201	(47)

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

	Group		
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015	% Variance
	\$'000	\$'000	+ / (-)
Depreciation of property, plant and equipment	1,004	1,023	(2)
Directors' fee	25	27	7
Foreign exchange loss	-	904	NM
Fair value loss on derivative financial instruments	-	22	NM
Impairment loss on available-for-sale financial assets	48	93	(48)
Operating lease expenses	187	413	(55)
Staff costs	2,793	3,541	(21)

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

	Group		
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015	% Variance
	\$'000	\$'000	+ / (-)
Income tax:			
- current year	(2)	(1)	100
- under provision in respect of prior years	-	(20)	NM
	(2)	(21)	NM
Deferred tax:			
- current year	6	6	-
	4	(15)	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 2016	31 December 2015	31 March 2016	31 December 2015
Non-current assets				
Property, plant and equipment	49,556	48,540	385	192
Investment properties	35,580	35,580	-	-
Investment in subsidiary companies	-	-	45,533	45,560
Trade receivables	2,874	2,630	-	-
Club membership	34	34	-	-
Deferred tax assets	128	128	-	-
	88,172	86,912	45,918	45,752
Current assets				
Development properties	19,728	18,957	-	-
Completed development properties held for sale	9,672	9,672	-	-
Inventories	6,838	7,796	-	-
Trade receivables	24,185	27,304	-	-
Other receivables	1,261	2,390	39,054	39,335
Available-for-sale financial assets	16	64	14	14
Cash and cash equivalents	39,657	38,219	436	250
	101,357	104,402	39,504	39,599
Total assets	189,529	191,314	85,422	85,351
Non-current liabilities				
Borrowings	28,867	26,186	-	-
Deferred tax liabilities	2,625	2,632	-	-
	31,492	28,818	-	-
Current liabilities				
Trade payables	18,787	23,617	-	-
Other payables	4,072	4,522	21,423	21,377
Borrowings	39,702	40,711	-	-
Hire purchase payables	1,034	429	-	-
Derivative financial instruments	32	162	-	-
Tax payables	124	249	50	50
	63,751	69,690	21,473	21,427
Total liabilities	95,243	98,508	21,473	21,427
Net assets	94,286	92,806	63,949	63,924
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	13	13	13	13
Other reserves	16,894	16,051	2	2
Accumulated profits/(losses)	9,056	8,419	(4,389)	(4,414)
Total equity	94,286	92,806	63,949	63,924

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 31/03/2016 (\$'000)		As at 31/12/2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
40,736	-	41,140	-

(b) Amount repayable after one year

As at 31/03/2016 (\$'000)		As at 31/12/2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
28,867	-	26,186	-

Details of collaterals:

- (1) Legal mortgages over certain freehold properties, leasehold land and buildings, and fixed deposits.
- (2) Legal mortgages over certain investment and development properties, as well as assignment of all rights, titles and interests on all sale and tenancy agreements, building agreements, construction contracts, guarantees, performance bonds, insurance policies and any other contracts; and
- (3) Corporate guarantees given by the Company to secure borrowings of certain subsidiaries.

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

	Group \$'000	
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015 (Restated)
Cash flows from operating activities:		
Profit/(loss) before tax	633	(457)
Adjustments for:		
Depreciation of property, plant and equipment	1,004	1,023
Fair value (gain)/loss on derivative financial instruments	(130)	22
Gain on disposal of property, plant and equipment	(19)	(373)
Impairment loss on available-for-sale financial assets	48	93
Interest expense	378	297
Interest income from fixed deposits	(192)	(211)
Unrealised (gain)/loss on foreign exchange	(94)	858
Operating cash flows before working capital changes	1,628	1,252
Changes in operating assets and liabilities:		
Development properties, due from customers on development projects and completed development properties held for sale	-	1,589
Due to/from customers on construction contracts	-	(523)
Inventories	958	82
Receivables	4,004	(1,364)
Payables	(5,296)	(947)
Currency translation adjustments	(433)	-
Cash generated from operations	861	89
Interest received	10	18
Tax paid	(127)	(21)
Net cash generated from operating activities	744	86
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	116	1,249
Proceeds from disposal of available-for-sale financial assets	-	12
Purchase of property, plant and equipment	(847)	(794)
Net cash (used in)/generated from investing activities	(731)	467
Cash flows from financing activities:		
Drawdown of borrowings	2,050	200
Interest paid	(363)	(286)
Repayment of borrowings	(519)	(1,350)
Repayment of hire purchase payables	(107)	(775)
Net cash generated from/(used in) financing activities	1,061	(2,211)
Net increase/(decrease) in cash and cash equivalents	1,074	(1,658)
Cash and cash equivalents at beginning of financial period	2,792	2,208
Effect of exchange rate changes on cash and cash equivalents	(52)	(9)
Cash and cash equivalents at end of financial period	3,814	541

Cash and cash equivalents are represented by:-

	As At 31 March 2016 \$'000	As At 31 March 2015 \$'000
Cash and cash equivalents on the consolidated statement of financial position	39,657	35,779
Fixed deposits pledged	(33,688)	(33,561)
Bank overdrafts	(2,155)	(1,677)
Cash and cash equivalents per consolidated statement of cash flows	3,814	541

During the current financial period, the Group modified the classification of interest paid from operating cash flows to financing cash flows because they are costs of obtaining financial resources. Comparative amounts in the consolidated statement of cash flows FY2015 Q1 were reclassified for consistency as follows:

	As previously reported 1Q 2015 Ended 31 March 2015 \$'000	Amount reclassified \$'000	As restated 1Q 2015 Ended 31 March 2015 \$'000
Net cash (used in)/generated from operating activities	(200)	286	86
Net cash used in financing activities	(1,925)	(286)	(2,211)

This reclassification did not have any effect on the consolidated statement of profit or loss and other comprehensive income, statement of financial position or net loss for the previous financial period.

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 2015	68,323	21	17,771	10,451	96,566
Loss for the period	-	-	-	(472)	(472)
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(550)	-	(550)
Currency translation differences reclassified to profit or loss upon liquidation of a subsidiary	-	-	(7)	-	(7)
Fair value loss on available-for-sale financial assets	-	-	(5)	-	(5)
Total comprehensive loss for the period	-	-	(562)	(472)	(1,034)
Balance at 31 March 2015	68,323	21	17,209	9,979	95,532
Balance at 1 January 2016	68,323	13	16,051	8,419	92,806
Profit for the period	-	-	-	637	637
Other comprehensive income:					
Currency translation differences arising from consolidation	-	-	843	-	843
Total comprehensive income for the period	-	-	843	637	1,480
Balance at 31 March 2016	68,323	13	16,894	9,056	94,286

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated profits /(losses) \$'000	Total equity \$'000
Company:					
Balance at 1 January 2015	68,323	21	6	3,402	71,752
Profit and total comprehensive income for the period	-	-	-	18	18
Balance at 31 March 2015	68,323	21	6	3,420	71,770
Balance at 1 January 2016	68,323	13	2	(4,414)	63,924
Profit and total comprehensive income for the period	-	-	-	25	25
Balance at 31 March 2016	68,323	13	2	(4,389)	63,949

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

During the period under review, there is no change in the Company's share capital. No share option was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 31 March 2016, a total of 14,465 (31 March 2015: 24,465) share options representing approximately 0.03% (31 March 2015: 0.05%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 31 March 2016 (31 March 2015: 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 2016 is 52,066,937 shares (31 December 2015: 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.**

Not applicable.

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 2015.

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.**

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2016. The adoption of the new and revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior periods.

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

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

	Group	
	1Q 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015 (Restated)
	\$'000	\$'000
Profit/(loss) for the period attributable to equity holders of the Company	637	(472)
	'000	'000
Weighted average number of ordinary shares in issue		
- Basic weighted average	52,067	52,067
- Fully diluted weighted average	52,067	52,074

Basic earnings/(loss) per share is calculated based on the Group's profit/(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 earnings/(loss) per share is calculated based on the Group's profit/(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 2016 Ended 31 March 2016	1Q 2015 Ended 31 March 2015 (Restated)
	Cents	Cents
(i) Basic earnings/(loss) per share	1.22	(0.91)
(ii) Diluted earnings/(loss) per share	1.22	(0.91)

On 23 July 2015, the Company completed a share consolidation of every 15 existing issued ordinary shares into 1 consolidated ordinary share. The basic and fully diluted weighted average number of ordinary shares in issue for FY2015 Q1 has been restated to reflect the share consolidation.

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 2016	31 December 2015	31 March 2016	31 December 2015
	\$	\$	\$	\$
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	1.81	1.78	1.23	1.23

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 33% to \$13.7 million in FY2016 Q1, as compared to \$20.5 million in FY2015 Q1 as construction project had been completed in FY2015 Q4.

Gross profit of the Group decreased marginally by 4% from \$2.2 million in FY2015 Q1 to \$2.1 million in FY2016 Q1 despite the 33% decrease in revenue as construction segment was not the major profit contributor to the Group for the last three financial years.

General and administrative expenses of the Group decreased by \$1.2 million from \$3.5 million in FY2015 Q1 to \$2.3 million in FY2016 Q1 as the Group reported a gain in foreign exchange in FY2016 Q1 (\$0.4 million) instead of loss in foreign exchange (\$0.9 million in FY2015 Q1). Other major decreases in costs, such as staff costs (from \$3.5 million in FY2015 Q1 to \$2.8 million in FY2016 Q1) and operating lease expenses (from \$0.4 million in FY2015 Q1 to \$0.2 million in FY2016 Q1) were mainly reflected in cost of sales.

Finance costs increased by 27% from \$297K in FY2015 Q1 to \$378K in FY2016 Q1 resulting from hike in interest rates and increase in borrowings.

The Group reported a profit before tax of \$633K in FY2016 Q1 (FY2015 Q1: loss before tax of \$457K).

There was a tax credit of \$4K (FY2015 Q1: tax expense of \$15K) mainly arising from reversal of deferred tax upon depreciation charge on revaluation gain on property, plant and equipment in FY2016 Q1.

Profit for the period was \$637K in FY2016 Q1 (FY2015 Q1: loss of \$472K).

Other comprehensive income of \$843K arose from currency translation differences arising from consolidation (FY2015 Q1: other comprehensive loss of \$562K).

Total comprehensive income for the period was \$1.5 million (FY2015 Q1: total comprehensive loss of \$1.0 million).

Statement of financial position

Total assets of the Group decreased by \$1.8 million to \$189.5 million (31 December 2015: \$191.3 million). Trade receivables decreased by \$2.8 million to \$27.1 million (31 December 2015: \$29.9 million) due to high debts collected during the reporting period as the Group imposed tighter credit control measures. This had resulted in an increase of \$1.5 million in cash and cash equivalents, from \$38.2 million in FY2015 to \$39.7 million in FY2016 Q1.

Total liabilities of the Group decreased by \$3.3 million to \$95.2 million (31 December 2015: \$98.5 million) mainly due to lower trade payables (\$4.8 million) as there was no on-going construction projects in FY2016 Q1 and lower other payables as accrued operating costs were substantially settled in FY2016 Q1 (\$0.4 million). During the reporting period, borrowings and hire purchase payables were increased by \$1.7 million and \$0.6 million respectively due to loan restructuring of a subsidiary and property, plant and equipment purchased in Malaysia under hire purchase arrangement.

The Group's net assets as at 31 March 2016 was \$94.3 million as compared to \$92.8 million. The increase of \$1.5 million resulted from profit generated (\$0.6 million) and currency translation gains arising from consolidation of foreign subsidiaries (\$0.8 million).

Statement of cash flows

Net cash of \$0.7 million was generated from operating activities in FY2016 Q1.

The Group used \$0.7 million in its investing activities in FY2016 Q1 mainly for purchase of property, plant and equipment in Malaysia.

The Group generated net cash of \$1.1 million from financing activities mainly arising from loan restructuring of a subsidiary.

The cash and cash equivalents increased by \$1.0 million in FY2016 Q1. The cash and cash equivalents stood at \$3.8 million as at 31 March 2016.

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 (2015 full year financial statements announcement) released on 27 February 2016.

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.

Going forward, the Group will continue to focus on precast and prefabrication business. It will continue to invest in staff training and R&D and to leverage on technology to reduce costs and raise productivity.

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 2016.

13. Interest person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Triton Metal Supplies Pte Ltd - Sales - Purchase	257,323 34,011	NIL NIL

BY ORDER OF THE BOARD

MS KOH GEOK HOON
COMPANY SECRETARY
13 May 2016

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 2016 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

13 May 2016