



2017 Second-Quarter and Half-Year 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 SECOND-QUARTER AND HALF-YEAR ENDED 30 JUNE 2017

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 June 2017.

	Group					
	2Q 2017	2Q 2016	% Variance	1H 2017	1H 2016	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	16,931	15,375	10	32,500	29,028	12
Cost of sales	(14,536)	(12,363)	18	(27,913)	(23,880)	17
Gross profit	2,395	3,012	(20)	4,587	5,148	(11)
Other income	566	689	(18)	1,367	1,404	(3)
	2,961	3,701	(20)	5,954	6,552	(9)
Expenses						
General and administrative expenses	2,526	3,260	(23)	4,620	5,100	(9)
Finance costs	286	356	(20)	566	734	(23)
	2,812	3,616	(22)	5,186	5,834	(11)
Profit before tax	149	85	75	768	718	7
Tax credit	7	52	(87)	12	56	(79)
Profit for the period	156	137	14	780	774	1
Other comprehensive income/(loss)						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	304	(402)	NM	(122)	441	NM
Fair value gain/(loss) on available-for-sale financial assets	2	(1)	NM	2	(1)	NM
Other comprehensive income/(loss) for the period, net of tax	306	(403)	NM	(120)	440	NM
Total comprehensive income/(loss) for the period	462	(266)	NM	660	1,214	(46)
Earnings per share						
Basic (cents)	0.30	0.26	15	1.50	1.49	1
Diluted (cents)	0.30	0.26	15	1.50	1.49	1

NM Not meaningful

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

	Group					
	2Q 2017	2Q 2016	% Variance	1H 2017	1H 2016	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Fair value gain on derivative financial instruments	41	-	NM	-	104	NM
Foreign exchange gain	-	-	NM	322	-	NM
Gain on disposal of property, plant and equipment	30	127	(76)	30	146	(79)
Interest income from fixed deposits	102	184	(45)	204	376	(46)
Rental income	296	263	13	590	556	6
Sundry income	97	115	(16)	221	222	(1)

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

	Group					
	2Q 2017	2Q 2016	% Variance	1H 2017	1H 2016	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Bad debts recovered	-	(13)	NM	-	(5)	NM
Write-back of allowance for doubtful receivables	(34)	-	NM	(42)	-	NM
Depreciation of property, plant and equipment	1,069	1,166	(8)	2,185	2,170	1
Directors' fees	26	26	-	55	51	8
Fair value loss on derivative financial instruments	-	26	NM	-	-	NM
Loss on settlement of derivative financial instruments	16	-	NM	2	-	NM
Foreign exchange loss	120	1,215	(90)	-	808	NM
Impairment loss on available-for-sale financial assets	-	-	NM	-	48	NM
Operating lease expenses	168	193	(13)	387	380	2
Staff costs	2,551	2,663	(4)	5,247	5,456	(4)

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

	Group					
	2Q 2017	2Q 2016	% Variance	1H 2017	1H 2016	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(2)	(2)	-	(3)	(4)	(25)
- over provision in respect of prior years	-	47	NM	2	47	96
	(2)	45	NM	(1)	43	NM
Deferred income tax for current period	9	7	29	13	13	-
	7	52	(87)	12	56	(79)

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 June 2017	31 December 2016	30 June 2017	31 December 2016
Non-current assets				
Property, plant and equipment	46,408	47,518	173	256
Investment properties	34,799	34,799	-	-
Investment in subsidiary companies	-	-	45,499	45,485
Trade receivables	5,718	4,185	-	-
Club membership	34	34	-	-
	86,959	86,536	45,672	45,741
Current assets				
Development properties	18,451	18,554	-	-
Completed development properties held for sales	4,937	9,672	-	-
Inventories	7,725	7,525	-	-
Trade receivables	26,971	28,064	-	-
Other receivables	734	1,028	40,091	40,246
Available-for-sale financial assets	18	16	16	13
Cash and cash equivalents	29,442	29,371	45	20
	88,278	94,230	40,152	40,279
Total assets	175,237	180,766	85,824	86,020
Non-current liabilities				
Borrowings	28,080	28,269	-	-
Hire purchase payables	429	473	-	-
Deferred tax liabilities	2,621	2,634	-	-
	31,130	31,376	-	-
Current liabilities				
Trade payables	15,498	18,821	-	-
Other payables	2,359	3,211	20,366	20,545
Borrowings	30,542	32,090	-	-
Hire purchase payables	567	445	-	-
Derivative financial instruments	-	250	-	-
Tax payables	40	132	5	10
	49,006	54,949	20,371	20,555
Total liabilities	80,136	86,325	20,371	20,555
Net assets	95,101	94,441	65,453	65,465
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	8	8	8	8
Other reserves	16,063	16,183	4	1
Accumulated profits/(losses)	10,707	9,927	(2,882)	(2,867)
Total equity	95,101	94,441	65,453	65,465

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 June 2017 (\$'000)		As at 31 December 2016 (\$'000)	
Secured	Unsecured	Secured	Unsecured
31,109	-	32,535	-

(b) Amount repayable after one year

As at 30 June 2017 (\$'000)		As at 31 December 2016 (\$'000)	
Secured	Unsecured	Secured	Unsecured
28,509	-	28,742	-

Details of collaterals:

- (1) Certain subsidiaries of the Group have pledged their assets for the borrowings;
- (2) First legal mortgages on 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 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			
	2Q 2017	2Q 2016	1H 2017	1H 2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit before tax	149	85	768	718
Adjustments for:				
Depreciation of property, plant and equipment	1,069	1,166	2,185	2,170
Fair value (gain)/loss on derivative financial instruments	(41)	26	-	(104)
Loss on settlement of derivative financial instruments	16	-	2	-
Gain on disposal of property, plant and equipment	(30)	(127)	(30)	(146)
Impairment loss on available-for-sale financial assets	-	-	-	48
Interest expense	286	356	566	734
Interest income from fixed deposits	(102)	(184)	(204)	(376)
Unrealised loss/(gain) on foreign exchange	229	1,040	(424)	946
Operating cash flows before working capital changes	1,576	2,362	2,863	3,990
Changes in operating assets and liabilities:				
Development properties and completed development properties held for sale	3,371	-	4,735	-
Inventories	(33)	(629)	(200)	330
Receivables	464	(104)	(146)	3,899
Payables	(2,551)	(2,220)	(4,170)	(7,517)
Currency translation adjustments	(174)	192	57	(232)
Cash generated from/(used in) operations	2,653	(399)	3,139	470
Interest received	-	-	-	1
Income tax paid	(36)	(4)	(96)	(131)
Net cash generated from/(used in) operating activities	2,617	(403)	3,043	340
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	86	290	86	406
Payment for settlement of derivative financial instruments	(107)	(18)	(252)	(17)
Purchase of property, plant and equipment	(662)	(228)	(926)	(1,075)
Net cash (used in)/generated from investing activities	(683)	44	(1,092)	(686)
Cash flows from financing activities:				
Drawdown of borrowings	1,610	5,450	1,807	7,500
Interest paid	(286)	(362)	(572)	(725)
Repayment of borrowings	(3,349)	(4,746)	(3,558)	(5,265)
Repayment of hire purchase payables	(107)	(93)	(204)	(200)
Net cash (used in)/generated from financing activities	(2,132)	249	(2,527)	1,310
Net (decrease)/increase in cash and cash equivalents	(198)	(110)	(576)	964
Cash and cash equivalents at beginning of financial period	4,087	3,814	4,478	2,792
Effect of exchange rate changes on cash and cash equivalents	7	83	(6)	31
Cash and cash equivalents at end of financial period	3,896	3,787	3,896	3,787

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	Group	
	30 June 2017 \$'000	30 June 2016 \$'000
Cash and cash equivalents on the consolidated statement of financial position	29,442	38,051
Fixed deposits pledged	(25,487)	(32,843)
Bank overdrafts	(59)	(1,421)
Cash and cash equivalents per consolidated statement of cash flows	3,896	3,787

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 capitalization 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 2016	68,323	13	16,051	8,419	92,806
Profit for the period	-	-	-	774	774
Other comprehensive income/(loss):					
Currency translation differences arising from consolidation	-	-	441	-	441
Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Other comprehensive income for the period, net of tax	-	-	440	-	440
Total comprehensive income for the period	-	-	440	774	1,214
Balance at 30 June 2016	68,323	13	16,491	9,193	94,020
 Balance at 1 January 2017	68,323	8	16,183	9,927	94,441
Profit for the period	-	-	-	780	780
Other comprehensive (loss)/income:					
Currency translation differences arising from consolidation	-	-	(122)	-	(122)
Fair value gain on available-for-sale financial assets	-	-	2	-	2
Other comprehensive loss for the period, net of tax	-	-	(120)	-	(120)
Total comprehensive (loss)/income for the period	-	-	(120)	780	660
Balance at 30 June 2017	68,323	8	16,063	10,707	95,101

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Company:					
Balance at 1 January 2016	68,323	13	2	(4,414)	63,924
Profit for the period	-	-	-	67	67
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Total comprehensive (loss)/income for the period	-	-	(1)	67	66
Balance at 30 June 2016	68,323	13	1	(4,347)	63,990
Balance at 1 January 2017	68,323	8	1	(2,867)	65,465
Loss for the period	-	-	-	(15)	(15)
Other comprehensive income for the period, net of tax					
- Fair value gain on available-for-sale financial assets	-	-	3	-	3
Total comprehensive income/(loss) for the period	-	-	3	(15)	(12)
Balance at 30 June 2017	68,323	8	4	(2,882)	65,453

- 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 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 options was lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 June 2017, a total of 3,799 (30 June 2016: 14,465) share options representing approximately 0.01% (30 June 2016: 0.03%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 30 June 2017 (30 June 2016: 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 June 2017 is 52,066,937 shares (31 December 2016: 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 June 2017.

- 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 2016.

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.

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) in Singapore and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2017. 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.

	Group			
	2Q 2017 Ended 30 June 2017	2Q 2016 Ended 30 June 2016	1H 2017 Ended 30 June 2017	1H 2016 Ended 30 June 2016
Profit attributable to equity holders of the Company	\$'000 156	\$'000 137	\$'000 780	\$'000 774
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	52,076	52,067	52,077

Basic earnings per share is calculated based on the Group's 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 earnings per share is calculated based on the Group's 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			
	2Q 2017 Ended 30 June 2017	2Q 2016 Ended 30 June 2016	1H 2017 Ended 30 June 2017	1H 2016 Ended 30 June 2016
	cents	cents	cents	cents
Basic earnings per share	0.30	0.26	1.50	1.49
Diluted earnings per share	0.30	0.26	1.50	1.49

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 June 2017	31 December 2016	30 June 2017	31 December 2016
	\$	\$	\$	\$
Net asset value per ordinary share	1.83	1.81	1.26	1.26

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

The Group generated revenue of \$16.9 million in 2017 Q2, a 10% increase as compared to \$15.4 million in 2016 Q2. The increase was mainly due to \$4.7 million revenue generated from property development activities, partially offset by \$3.2 million decrease from prefabrication activities.

The gross profit margin of the Group of 2017 Q2 was 14% as compared to 20% in 2016 Q2 mainly due to declining margins of our prefabrication projects.

Other income decreased by 18% from \$0.7 million in 2016 Q2 to \$0.6 million in 2017 Q2 due to lower income generated from interest on fixed deposits, gain on disposal of property, plant and equipment and sundry income and offset by increase in rental income.

General and administrative expenses decreased by 23% from \$3.3 million in 2016 Q2 to \$2.5 million in 2017 Q2 mainly because foreign exchange loss fell by \$1.1 million from \$1.2 million in 2016 Q2 to \$0.1 million in 2017 Q2.

Finance costs of the Group decreased by 20% from \$0.4 million in 2016 Q2 to \$0.3 million in 2017 Q2 due to lower bank borrowings utilised during the reporting period.

Profit before tax of the Group reported at \$0.1 million for 2017 Q2, same as that for 2016 Q2.

The Group recorded a tax credit of \$7K for 2017 Q2 (2016 Q2: \$52K) after reviewing its current tax status.

After consideration of the above, the Group recorded profit for the period of \$0.2 million in 2017 Q2 (2016 Q2: \$0.1 million).

Other comprehensive gain of \$0.3 million in 2017 Q2 mainly resulted from favourable foreign currency movements in foreign subsidiaries.

The Group reported total comprehensive income of \$0.5 million in 2017 Q2 (2016 Q2: total comprehensive loss of \$0.3 million).

Statement of financial position

Total assets of the Group decreased by \$5.6 million from \$180.8 million as at 31 December 2016 to \$175.2 million as at 30 June 2017.

Property, plant and equipment decreased by \$1.1 million mainly due to depreciation charged during the reporting period. There were no significant additions to property, plant and equipment during the reporting period.

Non-current trade receivables increased by \$1.6 million mainly due to retention sum withheld for on-going precast projects, while current trade receivables decreased \$1.1 million mainly due to lower sales from prefabrication activities.

Completed development properties held for sales decreased by \$4.7 million due to completed development properties sold in 2017.

Other assets of the Group maintained at roughly the same level as 31 December 2016.

Total liabilities of the Group decreased by \$6.2 million from \$86.3 million as at 31 December 2016 to \$80.1 million as at 30 June 2017.

Trade payables decreased \$3.3 million from \$18.8 million as at 31 December 2016 to \$15.5 million as at 30 June 2017, while other payables fell \$0.8 million from \$3.2 million as at 31 December 2016 to \$2.4 million as at 30 June 2017, due to settlement of payables due in 2017 Q2.

Borrowings decreased \$1.8 million from \$60.4 million as at 31 December 2016 to \$58.6 million as at 30 June 2017.

The net assets of the Group recorded as at 30 June 2017 was \$95.1 million.

Statement of cash flows

The Group generated net cash of \$2.6 million from its operating activities in 2017 Q2.

It used \$0.7 million in investing activities for purchasing of property, plant and equipment and settlement of derivative financial instruments.

It used \$2.1 million in financing activities for net repayment of borrowings of \$1.7 million, interest payment of \$0.3 million and hire purchase payables of \$0.1 million.

Overall, the Group used \$0.2 million in 2017 Q2, and the cash and cash equivalents stood at \$3.9 million as at 30 June 2017.

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 (2017 Q1 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 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/recommended for the financial period reported on.

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)
Sales to Triton Metal Supplies Pte Ltd	\$1,653,000	Nil
Purchases from Triton Metal Supplies Pte Ltd	\$79,000	Nil
Purchases from Wall Box Pte Ltd	\$11,000	Nil

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
11 August 2017

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 June 2017 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

11 August 2017