



**2015 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 2015**

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the first-quarter ended 31 March 2015.

	Group		
	1Q 2015 Ended 31 March 2015	1Q 2014 Ended 31 March 2014	% Variance
	\$'000	\$'000	+ / (-)
Revenue	20,470	23,227	(12)
Cost of sales	(18,249)	(21,465)	(15)
<b>Gross profit</b>	<b>2,221</b>	<b>1,762</b>	26
Other income	1,093	1,463	(25)
	3,314	3,225	(3)
<b>Expenses:</b>			
General and administrative expenses	3,474	2,666	30
Finance costs	297	243	22
	<b>3,771</b>	<b>2,909</b>	<b>30</b>
<b>(Loss)/profit before tax</b>	<b>(457)</b>	<b>316</b>	<b>NM</b>
Tax (expense)/credit	(15)	49	NM
<b>(Loss)/profit for the period</b>	<b>(472)</b>	<b>365</b>	<b>NM</b>
<b>Other comprehensive loss:</b>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	(550)	(15)	NM
Currency translation difference reclassified to profit or loss upon liquidation of a subsidiary	(7)	-	NM
Fair value loss on available-for-sale financial assets	(5)	(4)	NM
<b>Other comprehensive loss for the period, net of tax</b>	<b>(562)</b>	<b>(19)</b>	<b>NM</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,034)</b>	<b>346</b>	<b>NM</b>
<b>(Loss)/earnings per share</b>			
Basic (cents)	(0.06)	0.05	NM
Diluted (cents)	(0.06)	0.05	NM

NM Not meaningful

Notes:

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

	Group		
	1Q 2015 Ended 31 March 2015	1Q 2014 Ended 31 March 2014	% Variance
	\$'000	\$'000	+ / (-)
Dividend income	-	4	NM
Foreign exchange gain	-	460	NM
Gain on disposal of property, plant and equipment	373	-	NM
Interest income from fixed deposits	211	65	NM
Rental income	308	302	2
Sundry income	201	632	(68)

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

	Group		
	1Q 2015 Ended 31 March 2015	1Q 2014 Ended 31 March 2014	% Variance
	\$'000	\$'000	+ / (-)
Depreciation of property, plant and equipment	1,023	1,333	(23)
Directors' fee	27	23	17
Foreign exchange loss	904	-	NM
Fair value loss on derivative financial instruments	22	-	NM
Impairment loss on available-for-sale financial assets	93	98	(5)
Loss on disposal of property, plant and equipment	-	142	NM
Loss on settlement of derivative financial instruments	-	96	(77)
Operating lease expenses	413	540	(24)
Staff costs	3,541	4,212	(16)

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

	Group		
	1Q 2015 Ended 31 March 2015	1Q 2014 Ended 31 March 2014	% Variance
	\$'000	\$'000	+ / (-)
Income tax:			
- current year	(1)	(3,934)	NM
- under provision in respect of prior years	(20)	-	NM
	(21)	(3,934)	NM
Deferred tax:			
- current year	6	3,983	NM
	(15)	49	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 2015	31 December 2014	31 March 2015	31 December 2014
<b>Non-current assets</b>				
Property, plant and equipment	45,252	45,692	288	320
Investment properties	36,015	36,015	-	-
Investment in subsidiary companies	-	-	50,032	50,090
Trade receivables	2,145	2,145	-	-
Club membership	34	34	-	-
	83,446	83,886	50,320	50,410
<b>Current assets</b>				
Development properties	21,288	21,761	-	-
Due from customers on construction contracts	1	-	-	-
Completed development properties held for sale	9,564	11,153	-	-
Inventories	8,855	8,937	-	-
Trade receivables	18,953	17,968	-	-
Other receivables	2,885	2,506	39,365	40,211
Available-for-sale financial assets	304	414	26	27
Cash and cash equivalents	35,779	38,173	10	6
	97,629	100,912	39,401	40,244
Non-current assets held for sale	-	889	-	-
<b>Total current assets</b>	97,629	101,801	39,401	40,244
<b>Total assets</b>	181,075	185,687	89,721	90,654
<b>Non-current liabilities</b>				
Borrowings	10,626	10,874	-	-
Deferred tax liabilities	2,973	2,979	-	-
	13,599	13,853	-	-
<b>Current liabilities</b>				
Due to customers on construction contracts	-	522	-	-
Trade payables	21,044	21,187	-	-
Other payables	3,768	4,561	17,901	18,852
Borrowings	44,885	45,997	-	-
Hire purchase payables	1,128	1,903	-	-
Derivative financial instruments	174	152	-	-
Tax payables	945	946	50	50
	71,944	75,268	17,951	18,902
<b>Total liabilities</b>	85,543	88,121	17,951	18,902
<b>Net assets</b>	95,532	96,566	71,770	71,752
<b>Equity</b>				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	21	21	21	21
Other reserves	17,209	17,771	6	6
Retained earnings	9,979	10,451	3,420	3,402
<b>Total equity</b>	95,532	96,566	71,770	71,752

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 31/03/2015 (\$'000)		As at 31/12/2014 (\$'000)	
Secured	Unsecured	Secured	Unsecured
46,013	-	47,900	-

(b) Amount repayable after one year

As at 31/03/2015 (\$'000)		As at 31/12/2014 (\$'000)	
Secured	Unsecured	Secured	Unsecured
10,626	-	10,874	-

**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 2015 Ended 31 March 2015	1Q 2014 Ended 31 March 2014
<b>Cash flows from operating activities:</b>		
(Loss)/profit before tax	(457)	316
Adjustments for:		
Depreciation of property, plant and equipment	1,023	1,333
Dividend income	-	(4)
Fair value loss on derivative financial instruments	22	-
Loss on settlement of derivative financial instruments	-	96
(Gain)/loss on disposal of property, plant and equipment	(373)	142
Impairment loss on available-for-sale financial assets	93	98
Interest expense	297	243
Interest income from fixed deposits	(211)	(65)
Unrealised loss on foreign currency	858	382
<b>Operating cash flows before working capital changes</b>	<b>1,252</b>	<b>2,541</b>
<b>Changes in operating assets and liabilities:</b>		
Development properties, due from customers on development projects and completed development properties held for sale	1,589	26,486
Due to/from customers on construction contracts	(523)	(818)
Inventories	82	602
Receivables	(1,364)	(7,671)
Payables	(947)	1,475
<b>Cash generated from operations</b>	<b>89</b>	<b>22,615</b>
Interest received	18	65
Interest paid	(286)	(243)
Tax paid	(21)	(16)
<b>Net cash (used in)/generated from operating activities</b>	<b>(200)</b>	<b>22,421</b>
<b>Cash flows from investing activities:</b>		
Dividends received	-	4
Payment for settlement of derivative financial instruments	-	(688)
Proceeds from disposal of property, plant and equipment	1,249	65
Proceeds from disposal of available-for-sale financial assets	12	-
Purchase of property, plant and equipment	(794)	(260)
<b>Net cash generated from/(used in) investing activities</b>	<b>467</b>	<b>(879)</b>
<b>Cash flows from financing activities:</b>		
Drawdown of borrowings	200	5,327
Repayment of borrowings	(1,350)	(5,578)
Repayment of hire purchase payables	(775)	(341)
Placement of fixed deposit pledged	-	(6,423)
<b>Net cash used in financing activities</b>	<b>(1,925)</b>	<b>(7,015)</b>
Net (decrease)/increase in cash and cash equivalents	(1,658)	14,527
Cash and cash equivalents at beginning of financial period	2,208	6,031
Effect of exchange rate changes on cash and cash equivalents	(9)	(395)
<b>Cash and cash equivalents at end of financial period</b>	<b>541</b>	<b>20,163</b>

Cash and cash equivalents are represented by:-

	As At 31 March 2015 \$'000	As At 31 March 2014 \$'000
Cash and cash equivalents on the statement of financial position	35,779	32,699
Fixed deposits pledged	(33,561)	(12,090)
Bank overdrafts	(1,677)	(446)
<b>Cash and cash equivalents per consolidated statement of cash flows</b>	<b>541</b>	<b>20,163</b>

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	Retained earnings \$'000	Total equity \$'000
<b>Group:</b>					
Balance at 1 January 2014	68,323	22	14,618	24,903	107,866
Profit for the period	-	-	-	365	365
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(15)	-	(15)
Fair value loss on available-for-sale financial assets	-	-	(4)	-	(4)
Other comprehensive loss for the period, net of tax	-	-	(19)	-	(19)
Total comprehensive (loss)/income for the period	-	-	(19)	365	346
Balance at 31 March 2014	<u>68,323</u>	<u>22</u>	<u>14,599</u>	<u>25,268</u>	<u>108,212</u>
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 difference reclassified to profit or loss upon liquidation of a subsidiary	-	-	(7)	-	(7)
Fair value loss on available-for-sale financial assets	-	-	(5)	-	(5)
Other comprehensive loss for the period, net of tax	-	-	(562)	-	(562)
Total comprehensive loss for the period	-	-	(562)	(472)	(1,034)
Balance at 31 March 2015	<u>68,323</u>	<u>21</u>	<u>17,209</u>	<u>9,979</u>	<u>95,532</u>

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Company:</b>					
Balance at 1 January 2014	68,323	22	9	19,737	88,091
Profit for the period	-	-	-	110	110
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(5)	-	(5)
Total comprehensive (loss)/income for the period	-	-	(5)	110	105
Balance at 31 March 2014	68,323	22	4	19,847	88,196
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

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 2015, a total of 367,000 (31 March 2014: 374,000) share options representing approximately 0.05% of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 31 March 2015 (31 March 2014: 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 2015 is 781,035,217 shares (31 December 2014: 781,035,217 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 2014.

**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 2015. 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 (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following:

	<b>Group</b>	
	<b>1Q 2015 Ended 31 March 2015</b>	<b>1Q 2014 Ended 31 March 2014</b>
(Loss)/profit for the period attributable to equity holders of the Company	<b>\$'000</b> (472)	<b>\$'000</b> 365
Weighted average number of ordinary shares in issue	<b>'000</b>	<b>'000</b>
- Basic weighted average	781,035	781,035
- Fully diluted weighted average	781,113	781,252

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.

	<b>1Q 2015 Ended 31 March 2015</b>	<b>1Q 2014 Ended 31 March 2014</b>
	<b>Cents</b>	<b>Cents</b>
(i) Basic (loss)/earnings per share	(0.06)	0.05
(ii) Diluted (loss)/earnings per share	(0.06)	0.05



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 2015	31 December 2014	31 March 2015	31 December 2014
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	12.23	12.36	9.19	9.19

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 12% to \$20.5 million in FY2015 Q1, as compared to \$23.2 million in FY2014 Q1. The decrease mainly attributed to lower revenue recognised in construction segment.

Despite the decrease in the Group's revenue, gross profit of the Group increased by 26% from \$1.8 million in FY2014 Q1 to \$2.2 million in FY2015 Q1. The increase mainly due to gross profit generated from sale of development property in FY2015 Q1.

Other income of the Group reduced by 25% from \$1.5 million in FY2014 Q1 to \$1.1 million in FY2015 Q1 as the Group incurred loss on foreign exchange in current reporting period instead of a \$0.5 million gain in FY2014 Q1. Sundry income of the Group reduced by \$0.4 million from \$0.6 million in FY2014 Q1 to \$0.2 million in FY2015 Q1. The decrease was mitigated by a \$0.4 million gain on disposal of property, plant and equipment recognised in FY2015 Q1 (FY2014 Q1: loss of \$0.1 million).

General and administrative expenses of the Group increased by \$0.8 million from \$2.7 million in FY2014 Q1 to \$3.5 million in FY2015 Q1. The increase was substantially attributable to loss on foreign exchange of \$0.9 million recognised in the current reporting period. Other general and administrative expenses of the Group remained constant as compared to FY2014 Q1.

Finance costs increased by 22% from \$243K in FY2014 Q1 to \$297K in FY2015 Q1 resulting from hike in interest rates.

As a result of the above factors, the Group incurred a loss before tax of \$457K in FY2015 Q1 (FY2014 Q1: profit of \$316K).

Tax expense for the reporting period was \$15K (FY2014 Q1: tax credit of \$49K) arising from tax under provided in prior year (\$20K) and reversal of deferred tax (\$7K) upon depreciation charge on revaluation gain on property, plant and equipment in FY2015 Q1.

Loss for the period was \$472K in FY2015 Q1 (FY2014 Q1: Profit of \$365K).

Other comprehensive loss of \$562K mainly arose from currency translation differences arising from consolidation (FY2014 Q1: \$19K).

Total comprehensive loss for the period was \$1.0 million (FY2014 Q1: total comprehensive income of \$0.3 million).

#### **Statement of financial position**

Total assets of the Group decreased by \$4.6 million to \$181.1 million (31 December 2014: \$185.7 million). Completed development properties held for sale decreased by \$1.6 million due to sale of one unit of completed development properties held for sale in FY2015 Q1. Trade receivables increased by \$1.0 million to \$19.0 million (31 December 2014: \$18.0 million) due to commencement of a prefabrication project in FY2014 Q4. Cash and cash equivalents reduced by \$2.4 million mainly due to net repayment of borrowings and hire purchase payables (\$1.9 million) and loss on foreign exchange on cash and cash equivalents (\$0.7 million).

Total liabilities of the Group decreased by \$2.6 million to \$85.5 million (31 December 2014: \$88.1 million) mainly due to net repayment of borrowings and hire purchase payables (\$1.9 million) and lower other payables as accrued operating costs were substantially settled in FY2015 Q1 (\$0.8 million).

The Group's net assets as at 31 March 2015 was \$95.5 million (31 December 2014: \$96.6 million).

#### **Statement of cash flows**

Net cash of \$200K million was used in operating activities in FY2015 Q1. The negative operating cash flow mainly resulted from operating losses incurred in the current reporting period.

The Group generated \$0.5 million from its investing activities in FY2015 Q1. It generated \$1.2 million from disposal of construction machinery and invested \$0.8 million in prefabrication plant and moulds.

The Group repaid net of \$1.9 million of bank borrowings and hire purchase payables in FY2015 Q1.

The cash and cash equivalents reduced by \$1.7 million in FY2015 Q1. The cash and cash equivalents stood at \$541K as at 31 March 2015.

**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 (2014 full year financial statements announcement) released on 28 February 2015.

**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.**

The operating environment of the construction industry remains competitive, with continuing pressure on margins.

Going forward, the Group will continue to tighten its cost control measures to enhance the margins of all ongoing projects. It will take steps to integrate its support and administrative functions to improve its operational and financial performance.

**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 2015.

### 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 <a href="#">Rule 920</a> )	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <a href="#">Rule 920</a> (excluding transactions less than \$100,000)
NIL	NIL	NIL

#### BY ORDER OF THE BOARD

MS KOH GEOK HOON  
COMPANY SECRETARY  
15 May 2015

#### 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 2015 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

15 MAY 2015