



2015 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 2015

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 June 2015.

	Group					
	2Q 2015	2Q 2014	%	1H 2015	1H 2014	%
	\$'000	\$'000	Variance + / (-)	\$'000	\$'000	Variance + / (-)
Revenue	19,544	20,714	(6)	40,014	43,941	(9)
Cost of sales	(16,770)	(19,417)	(14)	(35,019)	(40,882)	(14)
Gross profit	2,774	1,297	114	4,995	3,059	63
Other income	760	1,608	(53)	1,853	3,071	(40)
	3,534	2,905	22	6,848	6,130	12
Expenses						
General and administrative expenses	3,583	2,243	60	7,057	4,909	44
Finance costs	329	254	30	626	497	26
	3,912	2,497	56	7,683	5,406	42
(Loss)/Profit before tax	(378)	408	NM	(835)	724	NM
Tax credit	25	40	(38)	10	89	(89)
(Loss)/Profit for the period	(353)	448	NM	(825)	813	NM
Other comprehensive (loss)/income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(890)	206	NM	(1,440)	191	NM
Currency translation difference reclassified to profit or loss upon liquidation of a subsidiary	-	-	-	(7)	-	NM
Fair value gain/(loss) on available-for-sale financial assets	-	2	NM	(5)	(2)	NM
Other comprehensive (loss)/income for the period, net of tax	(890)	208	NM	(1,452)	189	NM
Total comprehensive (loss)/income for the period	(1,243)	656	NM	(2,277)	1,002	NM
(Loss)/Earnings per share						
Basic (cents)	(0.05)	0.06	NM	(0.11)	0.10	NM
Diluted (cents)	(0.05)	0.06	NM	(0.11)	0.10	NM

NM Not meaningful

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

	Group					
	2Q 2015	2Q 2014	% Variance	1H 2015	1H 2014	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Dividend income	-	-	-	-	4	NM
Foreign exchange gain	-	364	NM	-	824	NM
Gain on disposal of property, plant and equipment	1	-	NM	374	-	NM
Gain on settlement of derivative financial instruments	-	695	NM	-	599	NM
Interest income from fixed deposits	225	120	88	436	185	NM
Rental income	308	303	2	616	605	2
Sundry income	226	126	79	427	854	(50)

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

	Group					
	2Q 2015	2Q 2014	% Variance	1H 2015	1H 2014	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Bad debts written back	-	(11)	NM	-	(11)	NM
Depreciation of property, plant and equipment	1,130	1,272	(11)	2,153	2,605	(17)
Directors' fees	24	25	(4)	51	48	6
Fair value loss on derivative financial instruments	51	-	NM	73	-	NM
Foreign exchange loss	913	-	NM	1,817	-	NM
Impairment loss on available-for-sale financial assets	173	84	NM	266	182	46
Loss on disposal of property, plant and equipment	-	-	-	-	142	NM
Operating lease expenses	172	415	(59)	585	955	(39)
Staff costs	3,901	3,942	(1)	7,442	8,154	9

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

	Group					
	2Q 2015	2Q 2014	% Variance	1H 2015	1H 2014	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current year	(1)	(2)	(50)	(2)	(3,936)	NM
- over/(under) provision in respect of prior years	20	(8)	NM	-	(8)	NM
	19	(10)	NM	(2)	(3,944)	NM
Deferred income tax for current period	6	50	(88)	12	4,033	NM
	25	40	(38)	10	89	(89)

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 2015	31 December 2014	30 June 2015	31 December 2014
Non-current assets				
Property, plant and equipment	47,360	45,692	255	320
Investment properties	36,015	36,015	-	-
Investment in subsidiary companies	-	-	50,098	50,090
Trade receivables	2,668	2,145	-	-
Club membership	34	34	-	-
	86,077	83,886	50,353	50,410
Current assets				
Development properties	20,546	21,761	-	-
Completed development properties held for sales	9,564	11,153	-	-
Inventories	8,330	8,937	-	-
Trade receivables	19,770	17,968	-	-
Other receivables	1,798	2,506	40,270	40,211
Available-for-sale financial assets	130	414	26	27
Cash and cash equivalents	36,697	38,173	45	6
	96,835	100,912	40,341	40,244
Non-current assets held for sale	-	889	-	-
Total current assets	96,835	101,801	40,341	40,244
Total assets	182,912	185,687	90,694	90,654
Non-current liabilities				
Borrowings	10,379	10,874	-	-
Deferred tax liabilities	2,967	2,979	-	-
	13,346	13,853	-	-
Current liabilities				
Due to customers on construction contracts	2,001	522	-	-
Trade payables	20,572	21,187	-	-
Other payables	3,356	4,561	18,849	18,852
Hire purchase payables	513	1,903	-	-
Borrowings	48,235	45,997	-	-
Derivative financial instruments	130	152	-	-
Tax payables	470	946	50	50
	75,277	75,268	18,899	18,902
Total liabilities	88,623	89,121	18,899	18,902
Net assets	94,289	96,566	71,795	71,752
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	21	21	21	21
Other reserves	16,319	17,771	5	6
Retained earnings	9,626	10,451	3,446	3,402
Total equity	94,289	96,566	71,795	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 30 June 2015 (\$'000)		As at 31 December 2014 (\$'000)	
Secured	Unsecured	Secured	Unsecured
48,748	-	47,900	-

- (b) Amount repayable after one year

As at 30 June 2015 (\$'000)		As at 31 December 2014 (\$'000)	
Secured	Unsecured	Secured	Unsecured
10,379	-	10,874	-

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 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			
	2Q 2015	2Q 2014	1H 2015	1H 2014
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Loss)/Profit before tax	(378)	408	(835)	724
Adjustments for:				
Dividend income	-	-	-	(4)
Depreciation of property, plant and equipment	1,130	1,272	2,153	2,605
Fair value loss on derivative financial instruments	51	-	73	-
Gain on settlement of derivative financial instruments	-	(695)	-	(599)
Impairment loss on available-for-sale financial assets	173	84	266	182
Interest expense	329	254	626	497
Interest income from fixed deposits	(225)	(120)	(436)	(185)
(Gain)/Loss on disposal of property, plant and equipment	(1)	-	(374)	142
Unrealised loss/(gain) on foreign currency	1,016	(59)	1,874	(72)
Operating cash flows before working capital changes	2,095	1,144	3,347	3,290
Changes in operating assets and liabilities:				
Development properties, due from customers on development projects and completed development properties held for sale	-	722	1,589	27,208
Due from/to customers on construction contracts	2,002	(533)	1,479	(1,351)
Inventories	526	(276)	607	326
Receivables	(252)	6,271	(1,617)	(1,400)
Payables	(884)	(3,822)	(1,830)	(2,347)
Cash generated from operations	3,487	3,506	3,576	25,726
Interest received	1	120	19	185
Interest paid	(330)	(256)	(616)	(499)
Income tax paid	(457)	(2)	(478)	(18)
Net cash generated from operating activities	2,701	3,368	2,501	25,394
Cash flows from investing activities:				
Dividend received	-	-	-	4
Proceeds from disposal of available-for-sale financial assets	1	-	13	-
Proceeds from disposal of property, plant and equipment	54	7	1,303	72
(Payment for)/proceeds from settlement of derivative financial instruments	(95)	(1,270)	(95)	(1,958)
Purchase of property, plant and equipment	(3,739)	(186)	(4,533)	(446)
Net cash used in investing activities	(3,779)	(1,449)	(3,312)	(2,328)
Cash flows from financing activities:				
Drawdown of borrowings	4,193	7,949	4,394	13,276
Repayment of borrowings	(754)	(288)	(2,105)	(5,866)
Repayment of hire purchase payables	(614)	(338)	(1,390)	(678)
Pledged of fixed deposits	-	(19,167)	-	(25,589)
Dividends paid	-	(1,951)	-	(1,953)
Net cash generated from/(used in) financing activities	2,825	(13,795)	899	(20,810)
Net increase/(decrease) in cash and cash equivalents	1,747	(11,876)	88	2,256
Cash and cash equivalents at beginning of financial period	541	20,163	2,208	6,031
Effect of exchange rate changes on cash and cash equivalents	8	-	-	-
Cash and cash equivalents at end of financial period	2,296	8,287	2,296	8,287

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

	Group	
	30 June 2015 \$'000	30 June 2014 \$'000
Cash and cash equivalents on the statement of financial position	36,697	39,544
Fixed deposits pledged	(33,060)	(31,257)
Bank overdrafts	(1,341)	-
Cash and cash equivalents per consolidated statement of cash flows	2,296	8,287

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	Retained earnings \$'000	Total equity \$'000
Group:					
Balance at 1 January 2014	68,323	22	14,618	24,903	107,866
Profit for the period	-	-	-	813	813
Other comprehensive income:					
Currency translation differences arising from consolidation	-	-	191	-	191
Fair value loss on available-for-sale financial assets	-	-	(2)	-	(2)
Other comprehensive income for the period, net of tax	-	-	189	-	189
Total comprehensive income for the period	-	-	189	813	1,002
Dividends	-	-	-	(1,953)	(1,953)
Balance at 30 June 2014	68,323	22	14,807	23,763	106,915
 Balance at 1 January 2015	68,323	21	17,771	10,451	96,566
Loss for the period	-	-	-	(825)	(825)
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(1,440)	-	(1,440)
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	-	-	(1,452)	-	(1,452)
Total comprehensive loss for the period	-	-	(1,452)	(825)	(2,277)
Balance at 30 June 2015	68,323	21	16,319	9,626	94,289

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Company:					
Balance at 1 January 2014	68,323	22	9	19,737	88,091
Profit for the period	-	-	-	111	111
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(3)	-	(3)
Total comprehensive (loss)/income for the period	-	-	(3)	111	108
Dividends	-	-	-	(1,953)	(1,953)
Balance at 30 June 2014	68,323	22	6	17,895	86,246
Balance at 1 January 2015	68,323	21	6	3,402	71,752
Profit for the period	-	-	-	44	44
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)	44	43
Balance at 30 June 2015	68,323	21	5	3,446	71,795

- 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. 125,000 share options were lapsed during the financial period. The Company did not grant new share options during the financial period. As at 30 June 2015, a total of 242,000 (30 June 2014: 374,000) share options representing approximately 0.03% of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 30 June 2015 (30 June 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 30 June 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.**

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 June 2015.

- 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 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) 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.

	Group			
	2Q 2015	2Q 2014	1H 2015	1H 2014
(Loss)/Profit attributable to equity holders of the Company	\$'000 (353)	\$'000 448	\$'000 (825)	\$'000 813
Weighted average number of ordinary shares in issue	'000	'000	'000	'000
- Basic weighted average	781,035	781,035	781,035	781,035
- Fully diluted weighted average	781,064	781,173	781,073	781,178
Basic (loss)/earnings per share	cents (0.05)	cents 0.06	cents (0.11)	cents 0.10
Diluted (loss)/earnings per share	(0.05)	0.06	(0.11)	0.10

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.

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	31 December	30 June	31 December
	2015	2014	2015	2014
	cents	cents	cents	cents
Net asset value per ordinary share	12.07	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

The Group generated revenue of \$19.5 million in 2015 Q2, a 6% decrease as compared to 2014 Q2. The decrease was mainly due to lower revenue generated from construction activities.

The gross profit margin of the Group of 2015 Q2 was 14% as compared to 6% in 2014 Q2 as Malaysia prefabrication plant has improved its production capacity and lower provision of losses for on-going construction contracts in Singapore.

Other income decreased by 53% from \$1.6 million in 2014 Q2 to \$0.8 million in 2015 Q2 as no gain on foreign exchange (2014 Q2: \$0.4 million) and gain on settlement of derivative financial instruments (2014 Q2: \$0.7 million) was recognized in current reporting period. The decrease was mitigated by increases in interest income from fixed deposits (\$0.1 million) and sundry income (\$0.1 million).

General and administrative expenses increased by 60% from \$2.2 million in 2014 Q2 to \$3.6 million in 2015 Q2 mainly due to losses incurred in foreign exchange (\$0.9 million) and impairment loss on available-for-sale financial assets (\$0.2 million).

The operating lease expenses reduced by 59% from \$0.4 million in 2014 Q2 to \$0.2 million in 2015 Q2 mainly due to lower land requirement in Singapore as the Group has relocated part of its prefabrication activities to Malaysia. This is part of the Group's cost cutting measures. The reduction in operating lease expenses mainly reflected in cost of sales.

Other general and administrative expenses were maintained at the same level as 2014 Q2

Finance costs of the Group increased by 30% from \$254K in 2014 Q2 to \$329K in 2015 Q2. Simultaneously, the interest income of the Group was also increased from \$120K in 2014 Q2 to \$225K in 2015 Q2.

The Group reported loss before tax of \$0.4 million (2014 Q2: profit of \$0.4 million).

After taking into consideration of accounting and tax factors, there is a tax credit of \$25K reported in 2015 Q2 mainly due to reversal of deferred tax liabilities recognised in prior years.

Loss for the period of the Group was \$0.4 million in 2015 Q2 as compared to profit of \$0.4 million in 2014 Q2.

Other comprehensive loss was \$0.9 million in 2015 Q2 mainly resulted from unfavourable foreign currency movements in foreign subsidiaries.

The Group reported total comprehensive loss of \$1.2 million in 2015 Q2 (2014 Q2: total comprehensive income of \$0.7 million).

Statement of financial position

Non-current assets of the Group increased by \$2.2 million from \$83.9 million as at 31 December 2014 to \$86.1 million as at 30 June 2015 mainly attributable to property, plant and equipment purchased for precast segment to meet the production requirements.

Current assets of the Group decreased by \$5.0 million from \$101.8 million as at 31 December 2014 to \$96.8 million as at 30 June 2015. This was mainly attributed to unfavourable foreign exchange effects on development property held by foreign subsidiary (\$1.2 million) and fixed deposits denominated in foreign

currency (\$1.5 million), sales of completed development properties held for sales (\$1.6 million) and non-current assets held for sales (\$0.9 million).

Total liabilities of the Group marginally decreased by \$0.5 million from \$89.1 million as at 31 December 2014 to \$88.6 million as at 30 June 2015.

The net assets of the Group reduced by \$2.3 million and stood at \$94.3 million as at 30 June 2015 due to total comprehensive loss incurred during first half of 2015.

Statement of cash flows

The Group generated \$2.7 million from its operating activities in 2015 Q2.

It used \$3.8 million in investing activities, largely in purchasing of property, plant and equipment to increase production capacity in its precast segment.

It generated \$2.8 million in financing activities, mainly drawing of fresh loans in Malaysian subsidiary.

The cash and cash equivalents of the Group increased by \$1.7 million in 2015 Q2 and stood at \$2.3 million as at 30 June 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 (2015 first quarter 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.

The business environment will remain challenging with rising subcontractor costs and labour costs. The Group will be cautious in tendering new projects to protect its profitability.

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on?

None.

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

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

None.

(c) Date payable.

Not applicable.

(d) Books closure date.

Not applicable.

(e) Total cumulative dividend (net).

Not applicable.

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

No dividend has been declared/recommendeded for the financial period reported on.

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)
NIL	NIL	NIL

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
14 August 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 30 June 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

14 August 2015