



HOR KEW CORPORATION LIMITED
(Reg. No. 199903415K)

2019 Third-Quarter Financial Statements Announcement

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL-YEAR ANNOUNCEMENTS.

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

UNAUDITED RESULTS FOR THE THIRD-QUARTER ENDED 30 SEPTEMBER 2019

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 September 2019.

	Group					
	3Q 2019	3Q 2018	% Variance	9M 2019	9M 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	17,878	12,516	43	46,410	34,378	35
Cost of sales	(14,910)	(16,804)	(11)	(43,853)	(40,181)	9
Gross profit/(loss)	2,968	(4,288)	NM	2,557	(5,803)	NM
Interest income from fixed deposits	69	114	(39)	322	334	(4)
Other income	267	649	(59)	1,507	1,859	(19)
	3,304	(3,525)	NM	4,386	(3,610)	NM
Expenses						
General and administrative expenses	2,275	4,472	(49)	7,005	8,779	(20)
Finance costs	546	416	31	1,604	1,089	47
Interest expense on leases	8	-	NM	23	-	NM
Net impairment on financial and contract assets	-	-	NM	408	1,904	NM
	2,829	4,888	(42)	9,040	11,772	(23)
Profit/(loss) before tax	475	(8,413)	NM	(4,654)	(15,382)	(70)
Tax credit/(expense)	5	3	67	(29)	30	NM
Profit/(loss) for the period	480	(8,410)	NM	(4,683)	(15,352)	(69)
Other comprehensive income/(loss)						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	39	(322)	NM	-	65	(98)
Other comprehensive income/(loss) for the period, net of tax	39	(322)	NM	-	65	(98)
Total comprehensive income/(loss) for the period	519	(8,732)	NM	(4,683)	(15,287)	(69)
Earnings/(loss) per share						
Basic (cents)	0.92	(16.15)	NM	(8.99)	(29.49)	(70)
Diluted (cents)	0.92	(16.15)	NM	(8.99)	(29.49)	(70)

NM Not meaningful

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

	Group					
	3Q 2019	3Q 2018	% Variance	9M 2019	9M 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Dividend income	-	1	NM	-	1	NM
Rental income	177	263	(80)	713	855	(17)
Sales of scrap metal	24	-	NM	221	-	(2)
Sundry income	66	350	(20)	573	899	(36)

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

	Group					
	3Q 2019	3Q 2018	% Variance	9M 2019	9M 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Impairment loss on trade receivables	(30)	1,139	NM	408	1,904	NM
Depreciation of property, plant and equipment	207	1,577	43	3,936	4,215	28
Directors' fees	26	26	4	78	78	(3)
(Gain)/loss on disposal of property, plant and equipment	(128)	35	NM	(81)	104	NM
Fair value loss/(gain) on derivative financial instruments	4	-	NM	(32)	-	NM
Foreign exchange loss	59	898	NM	641	1,437	NM
Operating lease expenses	91	197	(10)	236	510	(7)
Staff costs	2,844	3,085	14	8,066	8,890	12

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

	Group					
	3Q 2019	3Q 2018	% Variance	9M 2010	9M 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(1)	(1)	-	(2)	(5)	(60)
- (over)/under provision in respect of prior years	-	(2)	NM	4	15	(73)
	(1)	(3)	(67)	2	10	(80)
Deferred tax:						
- current year	6	6	-	(31)	20	NM
	5	3	67	(29)	30	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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Non-current assets				
Property, plant and equipment	42,693	45,635	165	230
Investment properties	34,723	34,723	-	-
Investment in subsidiary companies	-	-	48,384	34,261
Right-of-use assets	1,117	-	-	-
Trade receivables	4,734	5,544	-	-
	83,267	85,902	48,549	34,491
Current assets				
Development properties	18,963	18,957	-	-
Completed development properties held for sale	3,384	3,384	-	-
Inventories	7,689	8,062	-	-
Trade receivables	20,306	19,301	-	-
Other receivables	2,276	1,141	11,671	14,970
Contract assets	472	472	-	1,090
Financial assets at fair value through other comprehensive income	18	18	16	17
Cash and cash equivalents	27,185	30,947	374	46
	80,293	82,282	12,061	16,123
Total assets	163,560	168,184	60,610	50,614
Non-current liabilities				
Borrowings	30,808	31,789	-	-
Hire purchase payables	-	164	-	-
Lease liabilities	736	-	-	-
Deferred tax liabilities	2,498	2,468	-	-
	34,042	34,421	-	-
Current liabilities				
Trade payables	25,341	26,147	-	-
Other payables	4,060	3,809	37,574	22,919
Contract liabilities	4,785	4,648	-	-
Borrowings	35,198	32,752	-	-
Hire purchase payables	779	677	60	77
Lease liabilities	393	-	-	-
Provisions	3,963	6,017	-	-
Derivative financial instruments	230	261	-	-
Tax payables	232	232	220	220
	74,981	74,543	37,854	25,965
Total liabilities	109,023	108,964	37,854	25,965
Net assets	54,537	59,220	22,756	24,649
Equity				
Share capital	68,323	68,323	68,323	68,323
Other reserves	(6,339)	(6,339)	4	4
Accumulated losses	(7,447)	(2,764)	(45,571)	(43,678)
Total equity	54,537	59,220	22,756	24,649

1. (b) (ii) Aggregate amount of group's borrowings and debt securities.

(a) Amount repayable in one year or less, or on demand

As at 30 September 2019 (\$'000)		As at 31 December 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
35,977	-	33,429	-

(b) Amount repayable after one year

As at 30 September 2019 (\$'000)		As at 31 December 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
30,808	-	31,953	-

Details of collaterals:

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

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

	Group			
	3Q 2019	3Q 2018	9M 2019	9M 2018
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit/(loss) before tax	475	(8,413)	(4,654)	(15,382)
Adjustments for:				
Impairment loss on trade receivables	(30)	1,139	408	1,904
Depreciation of property, plant and equipment	101	1,577	3,936	4,215
Dividend income	-	(1)	-	(1)
Fair value loss/(gain) on derivative financial instruments	4	-	(32)	-
Loss/(gain) on disposal of property, plant and equipment	107	(35)	154	(104)
Interest expense	275	416	1,333	1,089
Interest income from fixed deposits	(69)	(114)	(322)	(334)
Unrealised loss on foreign exchange	194	588	582	1,434
Operating cash flows before working capital changes	1,057	(4,843)	1,405	(7,179)
Changes in operating assets and liabilities:				
Inventories	272	(359)	374	(2,009)
Receivables	(756)	(661)	(1,600)	(169)
Payables	(3,113)	7,022	(2,633)	10,831
Currency translation adjustments	960	372	422	66
Cash generated from operations	(1,580)	1,531	(2,032)	1,540
Tax refunded	-	2	1	15
Net cash (used in)/generated from operating activities	(1,580)	1,533	(2,031)	1,555
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	1,274	36	1,148	105
Dividend received	1	1	1	1
Purchase of property, plant and equipment	-	(2,090)	(1,703)	(3,799)
Net cash generated from/(used in) investing activities	1,275	(2,053)	(554)	(3,693)
Cash flows from financing activities:				
Drawdown of borrowings	5,727	7,735	12,434	10,493
Interest paid	(548)	(415)	(1,579)	(1,063)
Repayment of borrowings	(5,955)	(1,594)	(11,233)	(3,764)
Repayment of hire purchase payables	(118)	(112)	(369)	(327)
Placement of fixed deposits	-	(3,156)	-	(3,156)
Net cash (used in)/generated from financing activities	(894)	2,458	(747)	2,183
Net (decrease)/increase in cash and cash equivalents	(1,199)	1,938	(3,332)	45
Cash and cash equivalents at beginning of financial period	2,435	2,849	4,587	4,728
Effect of exchange rate changes on cash and cash equivalents	20	(69)	1	(55)
Cash and cash equivalents at end of financial period	1,256	4,718	1,256	4,718

Cash and cash equivalents are represented by:

	Group	
	30 September 2019	30 September 2018
	\$'000	\$'000
Cash and cash equivalents on the consolidated statement of financial position	27,185	32,094
Fixed deposits pledged	(25,929)	(27,376)
Cash and cash equivalents per consolidated statement of cash flows	1,256	4,718

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	Other reserves \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
Group:				
Balance at 1 January 2018	68,323	17,754	6,702	92,779
Effect of changes in accounting policy upon adoption of SFRS-(I) 1	-	(24,131)	21,382	(2,749)
Balance at 1 January 2018 (restated)	68,323	(6,377)	28,084	90,030
Loss for the period	-	-	(15,352)	(15,352)
Other comprehensive income:				
Currency translation differences arising from consolidation	-	65	-	65
Total comprehensive income/(loss) for the period	-	65	(15,352)	(15,287)
Balance at 30 September 2018	68,323	(6,312)	12,732	74,743
Balance at 1 January 2019	68,323	(6,339)	(2,764)	59,220
Loss for the period	-	-	(4,683)	(4,683)
Other comprehensive income :				
Currency translation differences arising from consolidation	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(4,683)	(4,683)
Balance at 30 September 2019	68,323	(6,339)	(7,447)	54,537

	Share capital \$'000	Other reserves \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
Company:				
Balance at 1 January 2018	68,323	7	1,330	69,660
Profit and total comprehensive income for the period	-	-	77	77
Balance at 30 September 2018	68,323	7	1,407	69,737
Balance at 1 January 2019	68,323	4	(43,678)	24,649
Loss and total comprehensive loss for the period	-	-	(1,893)	(1,893)
Balance at 30 September 2019	68,323	4	(45,571)	22,756

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

During the period under review, there is no change in the Company's share capital. No share option was lapsed during the financial period. The Company did not grant new share options during the financial period.

The Company did not hold any treasury shares nor subsidiary holdings as at 30 September 2019 (30 September 2018: Nil).

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

The total number of issued shares excluding treasury shares as at 30 September 2019 is 52,066,937 shares (31 December 2018: 52,066,937 shares).

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 September 2019.

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

There was no sale, transfer, cancellation and/or use of subsidiary holdings as at current financial period ended 30 September 2019.

- 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 2018.

- 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.**

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group adopted the new standard on the required effective date using the modified retrospective approach.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At 1 January 2019, the Group has recognised right-of-use assets of \$1.2 million and lease liabilities of \$1.2 million.

The standard substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases using existing operating lease accounting model. The Group does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required in the financial statements upon adoption of the standard.

Except for the above, there are no other new SFRS(I) with significant changes to the accounting policies of the Group and the Company nor any the amounts reported for the current and prior periods.

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

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

	Group			
	3Q 2019 Ended 30 September 2019	3Q 2018 Ended 30 September 2018	9M 2019 Ended 30 September 2019	9M 2018 Ended 30 September 2018
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) attributable to equity holders of the Company	480	(8,410)	(4,683)	(15,352)
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	52,067	52,067	52,067

Basic (loss)/earnings 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 (loss)/earnings 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.

	Group			
	3Q 2019 Ended 30 September 2019	3Q 2018 Ended 30 September 2018	9M 2019 Ended 30 September 2019	9M 2018 Ended 30 September 2018
	Cents	cents	cents	cents
Basic earnings/(loss) per share	0.92	(16.15)	(8.99)	(29.49)
Diluted earnings/(loss) per share	0.92	(16.15)	(8.99)	(29.49)

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 September	31 December	30 September	31 December
	2019	2018	2019	2018
	\$	\$	\$	\$
Net asset value per ordinary share	1.05	1.14	0.44	0.47

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 increased by \$5.4 million from \$12.5 million in 3Q 2018 to \$17.9 million in 3Q 2019. The increase was mainly due to increase in production volume of prefabrication activities.

The Group had a gross profit margin of 17% in 3Q 2019 compared to gross loss margin of 34% in 3Q 2018, mainly due to improvement in our cost controls.

Other income decreased by \$0.3 million from \$0.6 million in 3Q 2018 to \$0.3 million in 3Q 2019.

General and administrative expenses decreased from \$4.5 million in 3Q 2018 to \$2.3 million in 3Q 2019. This was mainly due to decrease in allowance for doubtful receivables, decrease in exchange loss and decrease in staff costs.

Finance costs of the Group increased from \$0.4 million in 3Q 2018 to \$0.5 million in 3Q 2019 mainly due to rising interest rates on borrowings.

Profit before tax of the Group was reported at \$0.5 million for 3Q 2019, compared to a loss before tax of \$8.4 million for 3Q 2018.

The Group recorded a tax credit of \$5K for 3Q 2019 (3Q 2018: \$3K) after reviewing its current tax status.

After consideration of the above, the Group recorded profit after tax of \$0.5 million in 3Q 2019 (3Q 2018: loss after tax of \$8.4 million).

The Group had other comprehensive income of \$39K from unfavourable foreign currency movements in foreign subsidiaries in 3Q 2019 (3Q 2018: other comprehensive loss of \$322K).

The Group reported total comprehensive income of \$0.5 million in 3Q 2019 (3Q 2018: total comprehensive loss of \$8.7 million).

Statement of financial position

Total assets of the Group decreased by \$4.6 million from \$168.2 million as at 31 December 2018 to \$163.6 million as at 30 September 2019.

Property, plant and equipment decreased by \$3.0 million mainly due to depreciation charged during the reporting period. Inventories decreased by \$0.4 million due to increased deliveries to customers.

Total liabilities of the Group at 30 September remained at around same level as 31 December 2018 at \$109.0 million.

The net assets of the Group recorded as at 30 September 2019 was \$54.5 million.

Statement of cash flows

The Group used net cash of \$1.6 million from its operating activities in 3Q 2019.

It generated \$1.3 million in investing activities, mainly from disposal of property, plant and equipment.

It used \$0.9 million in financing activities, mainly for loan repayments.

Overall, the Group used \$1.2 million in 3Q 2019, and the cash and cash equivalents stood at \$1.3 million as at 30 September 2019.

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

The Group's actual results are in line with the commentary under paragraph 10 of the Group's previous results announcement (2Q 2019 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 construction industry in Singapore had been contracting in recent years but is expected to grow over the next few years. The Group expects to benefit from this growth, but will continue to remain focused on cost efficiency, increase productivity in executing its on-going projects and refrain from tendering for new projects of low margins.

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on?

None.

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

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

None.

(c) Date payable.

Not applicable.

(d) Books closure date.

Not applicable.

(e) Total cumulative dividend (net).

Not applicable.

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

No dividend has been declared or recommended for the period ended 30 September 2019.

13. Interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Triton Metal Supplies Pte Ltd	\$692,000	Nil

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
14 November 2019

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

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

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the period ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

MS ELICIA AW YING YING
EXECUTIVE DIRECTOR

14 November 2019