



2016 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 2016

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the period ended 30 September 2016.

	Group					
	3Q 2016	3Q 2015	% Variance	9M 2016	9M 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	17,901	19,716	(9)	46,929	59,730	(21)
Cost of sales	(14,505)	(16,069)	(10)	(38,385)	(51,088)	(25)
Gross profit	3,396	3,647	(7)	8,544	8,642	(1)
Other income	1,541	837	84	2,137	2,690	(21)
	4,937	4,484	10	10,681	11,332	(6)
Expenses						
General and administrative expenses	2,577	4,415	(42)	6,869	11,472	(40)
Finance costs	299	368	(19)	1,033	994	4
	2,876	4,783	(40)	7,902	12,466	(37)
Profit/(loss) before tax	2,061	(299)	NM	2,779	(1,134)	NM
Tax credit/(expense)	5	(66)	NM	61	(56)	NM
Profit/(loss) for the period	2,066	(365)	NM	2,840	(1,190)	NM
Other comprehensive (loss)/income:						
<u>Items that are or may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(373)	(2,391)	(84)	68	(3,831)	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	-	(1)	NM	(1)	(6)	(83)
Other comprehensive (loss)/income for the period, net of tax	(373)	(2,392)	(84)	67	(3,844)	NM
Total comprehensive income/(loss) for the period	1,693	(2,757)	NM	2,907	(5,034)	NM
Earnings/(loss) per share						
Basic (cents)	3.97	(0.70)	NM	5.45	(2.28)	NM
Diluted (cents)	3.97	(0.70)	NM	5.45	(2.28)	NM

NM: Not meaningful

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

	Group					
	3Q 2016	3Q 2015	% Variance	9M 2016	9M 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Foreign exchange gain	976	-	NM	168	-	NM
Gain on disposal of property, plant and equipment	-	1	NM	146	375	(61)
Gain on settlement of derivative financial instruments	40	-	NM	144	-	NM
Interest income from fixed deposits	179	197	(9)	555	633	(12)
Rental income	266	290	(8)	822	906	(9)
Sundry income	81	349	(77)	303	776	(61)

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

	Group					
	3Q 2016	3Q 2015	% Variance	9M 2016	9M 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Bad debts recovered	(23)	-	NM	(28)	-	NM
Depreciation of property, plant and equipment	1,201	979	23	3,371	3,132	8
Directors' fees	25	27	(7)	76	78	(3)
Fair value loss on derivative financial instruments	20	156	(87)	20	229	(91)
Foreign exchange loss	-	1,926	NM	-	3,743	NM
Impairment loss on available-for-sale financial assets	-	52	NM	48	318	(85)
Operating lease expenses	235	249	(6)	615	834	(26)
Staff costs	2,892	3,485	(17)	8,348	10,927	(24)

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

	Group					
	3Q 2016	3Q 2015	% Variance	9M 2016	9M 2015	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current year	(2)	(1)	100	(6)	(3)	100
- over/(under) provision in respect of prior years	1	(72)	NM	48	(72)	NM
	(1)	(73)	(98)	42	(75)	NM
Deferred income tax for current period	6	7	(14)	19	19	-
	5	(66)	NM	61	(56)	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 2016	31 December 2015	30 September 2016	31 December 2015
Non-current assets				
Property, plant and equipment	48,142	48,540	299	192
Investment properties	35,580	35,580	-	-
Investment in subsidiary companies	-	-	45,539	45,560
Trade receivables	3,294	2,630	-	-
Club membership	34	34	-	-
Deferred tax assets	128	128	-	-
	87,178	86,912	45,838	45,752
Current assets				
Development properties	18,974	18,957	-	-
Completed development properties held for sale	9,672	9,672	-	-
Inventories	7,656	7,796	-	-
Trade receivables	25,540	27,304	-	-
Other receivables	1,155	2,390	39,064	39,335
Available-for-sale financial assets	16	64	14	14
Cash and cash equivalents	34,711	38,219	45	250
Total current assets	97,724	104,402	39,123	39,599
Total assets	184,902	191,314	84,961	85,351
Non-current liabilities				
Borrowings	28,820	26,186	-	-
Deferred tax liabilities	2,613	2,632	-	-
	31,433	28,818	-	-
Current liabilities				
Trade payables	18,054	23,617	-	-
Other payables	3,482	4,522	20,468	21,377
Borrowings	35,172	40,711	-	-
Hire purchase payables	1,028	429	-	-
Derivative financial instruments	20	162	-	-
Tax payables	-	249	-	50
	57,756	69,690	20,468	21,427
Total liabilities	89,189	98,508	20,468	21,427
Net assets	95,713	92,806	64,493	63,924
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	8	13	8	13
Other reserves	16,118	16,051	2	2
Accumulated profits/(losses)	11,264	8,419	(3,840)	(4,414)
Total equity	95,713	92,806	64,493	63,924

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

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

As at 30 September 2016 (\$'000)		As at 31 December 2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
36,200	-	41,140	-

- (b) Amount repayable after one year

As at 30 September 2016 (\$'000)		As at 31 December 2015 (\$'000)	
Secured	Unsecured	Secured	Unsecured
28,820	-	26,186	-

Details of collaterals:

- (1) Certain subsidiary companies 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 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 2016	3Q 2015	9M 2016	9M 2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit/(loss) before tax	2,061	(299)	2,779	(1,134)
Adjustments for:				
Depreciation of property, plant and equipment	1,201	979	3,371	3,132
Fair value loss on derivative financial instruments	20	156	20	229
Gain on disposal of property, plant and equipment	-	(1)	(146)	(375)
Gain on settlement of derivative financial instruments	(40)	-	(144)	-
Impairment loss on available-for-sale financial assets	-	52	48	318
Interest expense	299	368	1,033	994
Interest income from fixed deposits	(179)	(197)	(555)	(633)
Unrealised (gain)/loss on foreign exchange	(1,205)	2,292	(259)	4,166
Operating cash flow before working capital changes	2,157	3,350	6,147	6,697
Changes in operating assets and liabilities:				
Development properties, due from customers on development projects and completed development properties held for sale	-	(321)	-	1,268
Due from/to customers on construction contracts	-	(1,722)	-	(243)
Inventories	(191)	952	140	1,559
Receivables	(2,261)	(3,968)	1,638	(5,585)
Payables	906	929	(6,611)	(901)
Currency translation adjustments	301	-	68	-
Cash generated from/(used in) operations	912	(780)	1,382	2,795
Interest received	554	-	555	19
Income tax paid	(77)	(476)	(208)	(954)
Net cash generated from/(used in) operating activities	1,389	(1,256)	1,729	1,860
Cash flows from investing activities:				
Proceeds from disposal of available-for-sale financial assets	-	-	-	13
Proceeds from disposal of property, plant and equipment	-	66	406	1,369
Payment for settlement of derivative financial instruments	-	-	(17)	(95)
Purchase of property, plant and equipment	(566)	(1,608)	(1,641)	(6,141)
Net cash used in investing activities	(566)	(1,542)	(1,252)	(4,854)
Cash flows from financing activities:				
Drawdown of borrowings	2,000	4,626	9,500	9,020
Interest paid	(301)	(363)	(1,026)	(979)
Repayment of borrowings	(5,138)	(242)	(10,403)	(2,347)
Repayment of hire purchase payables	(100)	(66)	(300)	(1,456)
Withdrawal of fixed deposits pledged	6,047	-	6,047	-
Net cash generated from financing activities	2,508	3,955	3,818	4,238
Net increase in cash and cash equivalents	3,331	1,157	4,295	1,244
Cash and cash equivalents at beginning of financial period	3,787	2,296	2,792	2,208
Effects of exchange rate changes on cash and cash equivalents	(33)	(9)	(2)	(8)
Cash and cash equivalents at end of financial period	7,085	3,444	7,085	3,444

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

	Group	
	30 September 2016	30 September 2015
	\$'000	\$'000
Cash and cash equivalents on the statement of financial position	34,711	36,416
Fixed deposits pledged	(27,626)	(32,077)
Bank overdrafts	-	(895)
Cash and cash equivalents per consolidated statement of cash flows	7,085	3,444

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 2015	68,323	21	17,771	10,451	96,566
Loss for the period	-	-	-	(1,190)	(1,190)
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(3,831)	-	(3,831)
Currency translation difference reclassified to profit or loss upon liquidation of a subsidiary	-	-	(7)	-	(7)
Fair value loss on available-for-sale financial assets	-	-	(6)	-	(6)
Other comprehensive loss for the period, net of tax	-	-	(3,844)	-	(3,844)
Total comprehensive loss for the period	-	-	(3,844)	(1,190)	(5,034)
Balance at 30 September 2015	68,323	21	13,927	9,261	91,532
Balance at 1 January 2016	68,323	13	16,051	8,419	92,806
Profit for the period	-	-	-	2,840	2,840
Other comprehensive income/(loss):					
Currency translation differences arising from consolidation	-	-	68	-	68
Fair value loss on available-for-sale financial assets	-	-	(1)	-	(1)
Other comprehensive income for the period, net of tax	-	-	67	-	67
Total comprehensive income for the period	-	-	67	2,840	2,907
Reclassification upon lapse of share options	-	(5)	-	5	-
Balance at 30 September 2016	68,323	8	16,118	11,264	95,713

	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
Company:					
Balance at 1 January 2015	68,323	21	6	3,402	71,752
Profit for the period	-	-	-	61	61
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	(2)	-	(2)
Total comprehensive (loss)/income for the period	-	-	(2)	61	59
Balance at 30 September 2015	68,323	21	4	3,463	71,811
Balance at 1 January 2016	68,323	13	2	(4,414)	63,924
Profit for the period	-	-	-	569	569
Other comprehensive loss for the period, net of tax					
- Fair value loss on available-for-sale financial assets	-	-	^	-	^
Total comprehensive (loss)/income for the period	-	-	^	569	569
Reclassification upon lapse of share options	-	(5)	-	5	-
Balance at 30 September 2016	68,323	8	2	(3,840)	64,493

^ Less than \$1,000

- 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.

10,666 share options were lapsed during the financial period as share options granted on 8 July 2006 had expired on 7 July 2016. The Company did not grant new share option during the financial period. As at 30 September 2016, a total of 3,799 (30 September 2015: 16,133) share options representing approximately 0.01% (30 September 2015: 0.03%) of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 30 September 2016 (30 September 2015: Nil).

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

The total number of issued shares excluding treasury shares as at 30 September 2016 is 52,066,937 shares (31 December 2015: 52,066,937 shares).

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at current financial period ended 30 September 2016.

2. **Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as on the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2015.

5. **If there are any changes 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 2016. The adoption of the new and revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior periods.

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

	Group			
	3Q 2016	3Q 2015	9M 2016	9M 2015
Profit/(loss) attributable to equity holders of the Company	\$'000 2,066	\$'000 (365)	\$'000 2,840	\$'000 (1,190)
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 earnings/(loss) per share is calculated based on the Group's profit/(loss) for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings/(loss) per share is calculated based on the Group's profit/(loss) for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares arising from the share options.

	Group			
	3Q 2016	3Q 2015	9M 2016	9M 2015
Basic earnings/(loss) per share	cents 3.97	cents (0.70)	cents 5.45	cents (2.28)
Diluted earnings/(loss) per share	3.97	(0.70)	5.45	(2.28)

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 2016	31 December 2015	30 September 2016	31 December 2015
	\$	\$	\$	\$
Net asset value per ordinary share	1.84	1.78	1.24	1.23

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: - (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of comprehensive income

Revenue of the Group for FY2016 Q3 decreased by 9% from \$19.7 million in FY2015 Q3 to \$17.9 million. The decrease was mainly due to no revenue generated from construction activities in the reporting period as construction project had been completed in FY2015 Q4.

The Group was able to maintain its gross profit margin at 18.2% in FY2016 Q3 as compared to 18.5% in FY2015 Q3 despite the construction industry was facing downwards pressure on tender prices. There was significant reduction in staff costs (17%) mainly due to completion of construction project in FY2015 Q4. Depreciation of property, plant and equipment increased by 23% due to on-going investments in Malaysian precast plant.

Other income of the Group increased by \$704,000 in FY2016 Q3 as compared to FY2015 Q3 mainly due to foreign exchange gain and gain on settlement of derivative financial instruments recorded in FY2016 Q3 (\$976,000 and \$40,000 respectively). These were mitigated by lower income generated from scrap sales (from \$349,000 in FY2015 Q3 to \$81,000 in FY2016 Q3).

General and administrative expenses of the Group decreased by 42% from \$4.4 million in FY2015 Q3 to \$2.6 million in FY2016 Q3. The decrease was largely due to the Group recorded gain on foreign exchange of \$976,000 in FY2016 Q3 as compared to loss on foreign exchange of \$1.9 million recorded in FY2015 Q3. Other general and administrative expenses were, in general, lower than FY2015 Q3 due to lower activities in construction segment in FY2016 Q3.

Finance costs of the Group decreased by 19% from \$368,000 in FY2015 Q3 to \$299,000 in FY2016 Q3 mainly due to repayment of secured term loans in FY2016 Q3.

Profit before tax of the Group in FY2016 Q3 was \$2.1 million as compared to loss of \$0.3 million in FY2015 Q3.

There is a tax credit of \$5,000 recorded in the period due to taxes over provided in prior years were reversed upon assessment by tax authorities.

Profit for the reporting period was \$2.1 million as compared to loss of \$0.4 million in FY2015 Q3.

The Group recorded other comprehensive loss of \$0.4 million in FY2016 Q3 as compared to loss of \$2.4 million in FY2015 Q3 due to currency translation differences arising from consolidation.

Total comprehensive income of the Group was \$1.7 million in FY2016 Q3 as compared to loss of \$2.8 million in FY2015 Q3.

Statement of financial position

Non-current assets of the Group increased by approximately \$0.3 million from \$86.9 million as at 31 December 2015 to \$87.2 million as at 30 September 2016 mainly attributable to property, plant and equipment purchased for precast segment of \$3.3 million and increase in retention money withheld by customers (\$0.7 million). This was mitigated by depreciation of \$3.4 million during the reporting period.

Current assets of the Group decreased by approximately \$6.7 million from \$104.4 million as at 31 December 2015 to \$97.7 million as at 30 September 2016. This was largely due to withdrawal of pledged fixed deposits to repay secured term loans.

Total liabilities of the Group decreased by \$9.3 million from \$98.5 million as at 31 December 2015 to \$89.2 million as at 30 September 2016. Payables decreased by \$6.6 million mainly due to settlements of sub-contractors' final accounts of completed construction projects and payments of accrued expenses. The bank borrowings of Group also decreased by \$2.9 million due to repayment of secured term loans during the reporting period.

The net assets of the Group increased by \$2.9 million and recorded at \$95.7 million as at 30 September 2016 due to total comprehensive income reported during the first 9 months of 2016.

Statement of cash flows

In FY2016 Q3, the Group recorded net cash generated from operating activities of approximately \$1.4 million, which was a result of operating cash flows before changes in working capital of \$2.2 million and net working capital outflow of approximately \$1.3 million. The working capital outflows were mainly due to increase in inventories and receivables (\$0.2 million and \$2.3 million respectively). These were partially offset by an increase in operating payables (\$0.9 million) and currency translation adjustments for operating assets and liabilities held in foreign subsidiaries (\$0.3 million).

Net cash used in investing activities amounted to \$0.6 million, which was largely used in setting up the prefabrication plant in Malaysia.

The Group obtained net cash of \$2.5 million from its financing activities in FY2016 Q3. It raised \$2 million from bank borrowings and withdrew \$6.0 million from its pledged fixed deposits. It repaid \$5.1 million secured term loans and \$0.1 million hire purchase payables in FY2016 Q3. Interest expenses paid during the reporting period amounted to \$0.3 million.

As a result of the above, the cash and cash equivalents of the Group increased by \$3.3 million in FY2016 Q3 (FY2015 Q3: \$1.2 million) and stood at \$7.1 million as at 30 September 2016 (30 September 2015: \$3.4 million).

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 (2016 second quarter and half year 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 is expected to remain challenging due to high labour costs and keen competition. In light of this, the Group will remain cautious in tendering new projects and continue to be vigilant in managing costs and improving operational efficiency.

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. Interest person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Triton Metal Supplies Pte Ltd	\$46,406	Nil
Wall Box Pte Ltd	\$24,171	Nil

BY ORDER OF THE BOARD

MS KOH EE KOON
COMPANY SECRETARY
14 November 2016

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

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

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the period ended 30 September 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR DENNIS AW KHOON HWEE
EXECUTIVE CHAIRMAN AND CEO

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

14 November 2016