



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

2017 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 2017

The Directors of Hor Kew Corporation Limited advise the following unaudited results of the Group for the first-quarter ended 31 March 2017.

	Group		
	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016	% Variance
	\$'000	\$'000	+ / (-)
Revenue	15,569	13,653	14
Cost of sales	(13,377)	(11,517)	16
Gross profit	2,192	2,136	3
Other income	962	1,148	(16)
	3,154	3,284	(4)
Expenses:			
General and administrative expenses	2,255	2,273	(1)
Finance costs	280	378	(26)
	2,535	2,651	(4)
Profit before tax	619	633	(2)
Tax credit	5	4	25
Profit for the period	624	637	(2)
Other comprehensive (loss)/income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation	(426)	843	NM
Other comprehensive (loss)/income for the period, net of tax	(426)	843	NM
Total comprehensive income for the period	198	1,480	(87)
Earnings per share			
Basic (cents)	1.20	1.22	(2)
Diluted (cents)	1.20	1.22	(2)

NM Not meaningful

Notes:

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

	Group		
	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016	% Variance
	\$'000	\$'000	+ / (-)
Fair value gain on derivative financial instruments	-	130	NM
Foreign exchange gain	442	407	9
Gain on disposal of property, plant and equipment	-	19	NM
Interest income from fixed deposits	102	192	(47)
Rental income	294	293	-
Sundry income	124	107	16

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

	Group		
	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016	% Variance
	\$'000	\$'000	+ / (-)
Depreciation of property, plant and equipment	1,116	1,004	11
Directors' fee	29	25	16
Fair value loss on derivative financial instruments	28	-	NM
Impairment loss on available-for-sale financial assets	-	48	NM
Operating lease expenses	219	187	17
Staff costs	2,696	2,793	(3)
Write back of allowance for doubtful receivables	(8)	-	NM

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

	Group		
	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016	% Variance
	\$'000	\$'000	+ / (-)
Income tax:			
- current year	(2)	(2)	-
Deferred tax:			
- current year	7	6	17
	5	4	25

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 2017	31 December 2016	31 March 2017	31 December 2016
Non-current assets				
Property, plant and equipment	46,452	47,518	214	256
Investment properties	34,799	34,799	-	-
Investment in subsidiary companies	-	-	45,443	45,485
Trade receivables	5,718	4,185	-	-
Club membership	34	34	-	-
	87,003	86,536	45,657	45,741
Current assets				
Development properties	18,163	18,554	-	-
Completed development properties held for sale	8,308	9,672	-	-
Inventories	7,693	7,525	-	-
Trade receivables	27,265	28,064	-	-
Other receivables	904	1,028	40,806	40,246
Available-for-sale financial assets	16	16	13	13
Cash and cash equivalents	29,701	29,371	9	20
	92,050	94,230	40,828	40,279
Total assets	179,053	180,766	86,485	86,020
Non-current liabilities				
Borrowings	28,133	28,269	-	-
Hire purchase payables	422	473	-	-
Deferred tax liabilities	2,627	2,634	-	-
	31,182	31,376	-	-
Current liabilities				
Trade payables	16,833	18,821	-	-
Other payables	3,576	3,211	20,996	20,545
Borrowings	32,146	32,090	-	-
Hire purchase payables	471	445	-	-
Derivative financial instruments	133	250	-	-
Tax payables	73	132	10	10
	53,232	54,949	21,006	20,555
Total liabilities	84,414	86,325	21,006	20,555
Net assets	94,639	94,441	65,479	65,465
Equity				
Share capital	68,323	68,323	68,323	68,323
Share option reserve	8	8	8	8
Other reserves	15,757	16,183	1	1
Accumulated profits/(losses)	10,551	9,927	(2,853)	(2,867)
Total equity	94,639	94,441	65,479	65,465

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

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

As at 31/03/2017 (\$'000)		As at 31/12/2016 (\$'000)	
Secured	Unsecured	Secured	Unsecured
32,617	-	32,535	-

(b) Amount repayable after one year

As at 31/03/2017 (\$'000)		As at 31/12/2016 (\$'000)	
Secured	Unsecured	Secured	Unsecured
28,555	-	28,742	-

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 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016
Cash flows from operating activities:		
Profit before tax	619	633
Adjustments for:		
Depreciation of property, plant and equipment	1,116	1,004
Fair value loss/(gain) on derivative financial instruments	41	(130)
Fair value gain on settlement of derivative financial instruments	(13)	-
Gain on disposal of property, plant and equipment	-	(19)
Impairment loss on available-for-sale financial assets	-	48
Interest expense	280	378
Interest income from fixed deposits	(102)	(192)
Unrealised gain on foreign exchange	(653)	(94)
Operating cash flows before working capital changes	1,288	1,628
Changes in operating assets and liabilities:		
Development properties and completed development properties held for sale	1,364	-
Inventories	(168)	958
Receivables	(610)	4,004
Payables	(1,619)	(5,296)
Currency translation adjustments	231	(433)
Cash generated from operations	486	861
Interest received	-	10
Tax paid	(60)	(127)
Net cash generated from operating activities	426	744
Cash flows from investing activities:		
Payment for settlement of derivative financial instruments	(145)	-
Proceeds from disposal of property, plant and equipment	-	116
Purchase of property, plant and equipment	(264)	(847)
Net cash used in investing activities	(409)	(731)
Cash flows from financing activities:		
Drawdown of borrowings	197	2,050
Interest paid	(286)	(363)
Repayment of borrowings	(209)	(519)
Repayment of hire purchase payables	(97)	(107)
Net cash (used in)/generated from financing activities	(395)	1,061
Net (decrease)/increase in cash and cash equivalents	(378)	1,074
Cash and cash equivalents at beginning of financial period	4,478	2,792
Effect of exchange rate changes on cash and cash equivalents	(13)	(52)
Cash and cash equivalents at end of financial period	4,087	3,814

Cash and cash equivalents are represented by:-

	As at 31 March 2017 \$'000	As at 31 March 2016 \$'000
Cash and cash equivalents on the consolidated statement of financial position	29,701	39,657
Fixed deposits pledged	(25,614)	(33,688)
Bank overdrafts	-	(2,155)
Cash and cash equivalents per consolidated statement of cash flows	4,087	3,814

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	Accumulated profits \$'000	Total equity \$'000
Group:					
Balance at 1 January 2016	68,323	13	16,051	8,419	92,806
Profit for the period	-	-	-	637	637
Other comprehensive income:					
Currency translation differences arising from consolidation	-	-	843	-	843
Total comprehensive income for the period	-	-	843	637	1,480
Balance at 31 March 2016	68,323	13	16,894	9,056	94,286
Balance at 1 January 2017	68,323	8	16,183	9,927	94,441
Profit for the period	-	-	-	624	624
Other comprehensive loss:					
Currency translation differences arising from consolidation	-	-	(426)	-	(426)
Total comprehensive (loss)/income for the period	-	-	(426)	624	198
Balance at 31 March 2017	68,323	8	15,757	10,551	94,639
	Share capital \$'000	Share option reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Company:					
Balance at 1 January 2016	68,323	13	2	(4,414)	63,924
Profit and total comprehensive income for the period	-	-	-	25	25
Balance at 31 March 2016	68,323	13	2	(4,389)	63,949
Balance at 1 January 2017	68,323	8	1	(2,867)	65,465
Profit and total comprehensive income for the period	-	-	-	14	14
Balance at 31 March 2017	68,323	8	1	(2,853)	65,479

- 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 2017, a total of 3,799 (31 March 2016: 14,465) share options representing approximately 0.01% of the existing issued share capital remained outstanding.

The Company did not hold any treasury shares as at 31 March 2017 (31 March 2016: Nil).

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

The total number of issued shares excluding treasury shares as at 31 March 2017 is 52,066,937 shares (31 December 2016: 52,066,937 shares).

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

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 2016.

- 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 in Singapore (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2017. The adoption of the new and revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior periods.

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

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	
	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016
	\$'000	\$'000
	'000	'000
Profit for the period attributable to equity holders of the Company	624	637
Weighted average number of ordinary shares in issue		
- Basic weighted average	52,067	52,067
- Fully diluted weighted average	52,067	52,067

Basic earnings per share is calculated based on the Group's profit for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

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

	1Q 2017 Ended 31 March 2017	1Q 2016 Ended 31 March 2016
	Cents	Cents
(i) Basic earnings per share	1.20	1.22
(ii) Diluted earnings per share	1.20	1.22

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 2017	31 December 2016	31 March 2017	31 December 2016
	\$	\$	\$	\$
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	1.82	1.81	1.26	1.26

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

Statement of comprehensive income

Revenue of the Group increased by 14% from \$13.7 million in FY2016 Q1 to \$15.6 million in FY2017 Q1, it was due to revenue generated from property development activities (FY2017 Q1: \$2.2 million, FY2016 Q1: Nil). Revenue generated from prefabrication activities maintained at the same level as FY2016 Q1 (FY2017 Q1: \$13.5 million, FY2016 Q1: \$13.3 million).

Gross profit margin of the Group decreased from 16% in FY2016 Q1 to 14% in FY2017 Q1 mainly due to lower gross profit margin generated from prefabrication projects resulted from lower tender prices.

Other income of the Group decreased by 16% from \$1.1 million in FY2016 Q1 to \$962,000 in FY2017 Q1 mainly due to lower interest income from fixed deposits (FY 2017 Q1: \$102,000; FY2016 Q1: \$192,000) and no fair value gain on derivative financial instruments was recognised in FY2017 Q1 (FY2016 Q1: \$130,000).

General and administrative expenses maintained at \$2.3 million in FY2017 Q1 (FY2016 Q1: \$2.3 million).

Interest expenses reduced by 26% from \$378,000 in FY2016 Q1 to \$280,000 in FY2017 Q1 due to repayment of short term loans in FY2016 Q2 and Q3.

Profit before tax of the Group reported at \$619,000 for FY2017 Q1 (FY2016 Q1: \$633,000).

The Group recorded a tax credit of \$5,000 in FY2017 Q1 (FY2016 Q1: \$4,000) after reviewing its current tax status.

After taking into consideration of the above, the Group recorded profit for the period of \$624,000 in FY2017 Q1 (FY2016 Q1: \$637,000)

There was a currency translation loss arising from consolidation of \$426,000 in FY2017 Q1 (FY2016 Q1: Gain of \$843,000) due to net investments in subsidiaries operating in foreign countries.

Total comprehensive income of the Group recorded at \$198,000 in FY2017 Q1 (FY2016 Q1: \$1.5 million).

Statement of financial position

Total assets of the Group decreased by \$1.7 million from \$180.8 million as at 31 December 2016 to \$179.1 million as at 31 March 2017.

Property, plant and equipment decreased by \$1.1 million mainly due to depreciation charged during the reporting period.

Non-current trade receivables increased by \$1.5 million mainly due to retention sum withheld for on-going precast projects

Completed development property held for sales decreased by \$1.4 million due to completed development property sold in FY2017 Q1.

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

Total liabilities of the Group decreased by \$1.9 million from \$86.3 million as at 31 December 2016 to \$84.4 million as at 31 March 2017.

The decrease was mainly attributable to decrease in trade payables from \$18.8 million as at 31 December 2016 to \$16.8 million as at 31 March 2017 which was due to settlement of payables due in FY2017 Q1.

The net assets of the Group recorded as at 31 March 2017 was \$94.6 million.

Statement of cash flows

The Group generated net cash of \$426,000 from its operating activities in FY2017 Q1.

It used \$409,000 in investing activities for purchasing of property, plant and equipment and settlement of derivative financial instruments.

It used \$395,000 in financing activities for interest payment of \$286,000 and net repayment of borrowings of \$12,000 and hire purchase payables of \$97,000.

Overall, the Group used \$378,000 in FY2017 Q1, and the cash and cash equivalents stood at \$4.1 million as at 31 March 2017.

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

The Group's actual results are in line with the commentary under paragraph 10 of the Group's previous results announcement (2016 full year financial statements announcement) released on 1 March 2017.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Business environment remains challenging. The public housing construction industry is facing great pricing pressure. The Group will remain focus on cost efficiency and productivity in executing its on-going projects and cautious in tendering for new projects.

11. Dividend.

(a) Current Financial Period Reported On.

Any dividend declared for the current financial period reported on? 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 2017.

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)
Sales to Triton Metal Supplies Pte Ltd	\$584,000	Nil
Purchases from Triton Metal Supplies Pte Ltd	\$68,000	Nil

BY ORDER OF THE BOARD

MS KOH GEOK HOON
COMPANY SECRETARY
12 May 2017

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

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

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the period ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

MR DENNIS AW KHOON HWEE
EXECUTIVE CHAIRMAN / CEO

MR BENJAMIN AW CHI-KEN
EXECUTIVE DIRECTOR

12 May 2017