



**2019 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 2019**

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

	Group					
	2Q 2019	2Q 2018	% Variance	1H 2019	1H 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Revenue	14,129	12,235	(15)	28,532	21,862	31
Cost of sales	(14,459)	(12,769)	(13)	(28,943)	(23,377)	24
<b>Gross loss</b>	<b>(330)</b>	<b>(534)</b>	(38)	<b>(411)</b>	<b>(1,515)</b>	(73)
Interest income from fixed deposits	129	106	22	253	220	15
Other income	575	657	(12)	1,240	1,210	2
	374	229	63	1,082	(85)	NM
<b>Expenses</b>						
General and administrative expenses	2,816	3,485	(19)	4,713	6,211	(24)
Finance costs	573	376	52	1,058	673	57
Interest expense on leases	7	-	NM	15	-	NM
Net impairment losses on financial and contract assets	-	-	NM	425	-	NM
	3,396	3,861	(17)	6,211	6,884	(10)
<b>Loss before tax</b>	<b>(3,022)</b>	<b>(3,632)</b>	(17)	<b>(5,129)</b>	<b>(6,969)</b>	(26)
Tax credit/(expense)	8	1	NM	(34)	27	NM
<b>Loss for the period</b>	<b>(3,014)</b>	<b>(3,631)</b>	(17)	<b>(5,163)</b>	<b>(6,942)</b>	(26)
<b>Other comprehensive (loss)/income</b>						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Currency translation differences arising from consolidation	(96)	(80)	20	(38)	387	NM
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(96)</b>	<b>(80)</b>	20	<b>(38)</b>	<b>387</b>	NM
<b>Total comprehensive loss for the period</b>	<b>(3,110)</b>	<b>(3,711)</b>	(16)	<b>(5,201)</b>	<b>(6,555)</b>	(21)
<b>Loss per share</b>						
Basic (cents)	(5.79)	(6.97)	(20)	(9.92)	(13.33)	(27)
Diluted (cents)	(5.79)	(6.97)	(20)	(9.92)	(13.33)	(27)

NM Not meaningful

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

	Group					
	2Q 2019	2Q 2018	% Variance	1H 2019	1H 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Rental income	365	289	26	753	592	27
Sales of scrap material	104	66	58	197	166	19
Sundry income	151	299	(53)	290	549	(47)

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

	Group					
	2Q 2019	2Q 2018	% Variance	1H 2019	1H 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Impairment loss on trade receivables	13	772	NM	438	765	(43)
Depreciation of property, plant and equipment	2,161	1,377	57	3,729	2,638	41
Directors' fees	26	26	-	52	52	-
Fair value loss/(gain) on derivative financial instruments	71	-	NM	(36)	-	NM
Foreign exchange loss	673	29	NM	582	539	8
(Gain)/loss on disposal of property, plant and equipment	-	(73)	NM	47	(69)	NM
Operating lease expenses	156	151	3	361	313	15
Staff costs	2,726	3,163	(14)	5,222	5,805	(10)

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

	Group					
	2Q 2019	2Q 2018	% Variance	1H 2019	1H 2018	% Variance
	\$'000	\$'000	+ / (-)	\$'000	\$'000	+ / (-)
Income tax:						
- current period	(2)	(13)	(85)	(1)	(4)	(75)
- over provision in respect of prior years	4	7	(43)	4	17	(76)
	2	(6)	NM	3	13	(77)
Deferred tax:						
- current year	6	7	(6)	(37)	14	NM
	8	1	NM	(34)	27	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 June 2019	31 December 2018	30 June 2019	31 December 2018
<b>Non-current assets</b>				
Property, plant and equipment	43,798	45,635	187	230
Investment properties	34,722	34,723	-	-
Investment in subsidiary companies	-	-	34,316	34,261
Right-of-use assets	1,211	-	504	-
Trade receivables	5,391	5,544	-	-
	85,122	85,902	35,007	34,491
<b>Current assets</b>				
Development properties	18,854	18,957	-	-
Completed development properties held for sale	3,384	3,384	-	-
Inventories	7,961	8,062	-	-
Trade receivables	16,439	19,301	-	-
Other receivables	4,564	1,141	16,916	14,970
Contract assets	472	472	-	1,090
Financial assets at fair value through other comprehensive income	18	18	17	17
Cash and cash equivalents	28,492	30,947	30	46
	80,184	82,282	16,963	16,123
<b>Total assets</b>	165,306	168,184	51,970	50,614
<b>Non-current liabilities</b>				
Borrowings	31,161	31,789	-	-
Hire purchase payables	144	164	-	-
Lease liabilities	826	-	344	-
Deferred tax liabilities	2,504	2,468	-	-
	34,635	34,421	344	-
<b>Current liabilities</b>				
Trade payables	26,233	26,147	-	-
Other payables	5,244	3,809	27,790	22,919
Contract liabilities	4,785	4,648	-	-
Borrowings	33,925	32,752	-	-
Hire purchase payables	750	677	66	77
Lease liabilities	393	-	160	-
Provisions	4,865	6,017	-	-
Derivative financial instruments	225	261	-	-
Tax payables	232	232	220	220
	76,652	74,543	28,236	25,965
<b>Total liabilities</b>	111,287	108,964	28,580	25,965
<b>Net assets</b>	54,019	59,220	23,390	24,649
<b>Equity</b>				
Share capital	68,323	68,323	68,323	68,323
Other reserves	(6,377)	(6,339)	4	4
Accumulated losses	(7,927)	(2,764)	(44,937)	(43,678)
<b>Total equity</b>	54,019	59,220	23,390	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

<b>As at 30 June 2019 (\$'000)</b>		<b>As at 31 December 2018 (\$'000)</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
34,675	-	33,429	-

(b) Amount repayable after one year

<b>As at 30 June 2019 (\$'000)</b>		<b>As at 31 December 2018 (\$'000)</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
31,305	-	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			
	2Q 2019	2Q 2018	1H 2019	1H 2018
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>				
Loss before tax	(3,022)	(3,632)	(5,129)	(6,969)
Adjustments for:				
Impairment for trade receivables	13	772	438	765
Depreciation of property, plant and equipment	2,267	1,377	3,835	2,638
Fair value loss/(gain) on derivative financial instruments	71	-	(36)	-
(Gain)/loss on disposal of property, plant and equipment	-	(73)	47	(69)
Interest expense	572	376	1,058	673
Interest income from fixed deposits	(129)	(106)	(253)	(220)
Unrealised loss/(gain) on foreign exchange	421	(44)	388	846
<b>Operating cash flows before working capital changes</b>	<b>193</b>	<b>(1,330)</b>	<b>348</b>	<b>(2,336)</b>
<b>Changes in operating assets and liabilities:</b>				
Inventories	(83)	(1,415)	102	(1,650)
Receivables	(277)	(2,956)	(844)	492
Payables	891	3,643	480	3,809
Currency translation adjustments	(327)	62	(538)	(306)
<b>Cash generated from/(used in) operations</b>	<b>397</b>	<b>(1,996)</b>	<b>(452)</b>	<b>9</b>
Tax (paid)/refunded	-	(6)	1	13
<b>Net cash generated from/(used in) operating activities</b>	<b>397</b>	<b>(2,002)</b>	<b>(451)</b>	<b>22</b>
<b>Cash flows from investing activities:</b>				
Proceeds from disposal of property, plant and equipment	(47)	52	(47)	69
Purchase of property, plant and equipment	(1,156)	(959)	(1,782)	(1,709)
<b>Net cash used in investing activities</b>	<b>(1,203)</b>	<b>(907)</b>	<b>(1,829)</b>	<b>(1,640)</b>
<b>Cash flows from financing activities:</b>				
Drawdown of borrowings	3,048	1,545	6,707	2,758
Interest paid	(577)	(369)	(1,031)	(648)
Repayment of borrowings	(2,868)	(1,152)	(5,278)	(2,170)
Repayment of hire purchase payables	(121)	(111)	(251)	(215)
<b>Net cash (used in)/generated from financing activities</b>	<b>(518)</b>	<b>(87)</b>	<b>147</b>	<b>(275)</b>
Net decrease in cash and cash equivalents	(1,324)	(2,996)	(2,132)	(1,893)
Cash and cash equivalents at beginning of financial period	3,800	5,848	4,587	4,728
Effect of exchange rate changes on cash and cash equivalents	(41)	(3)	(19)	14
<b>Cash and cash equivalents at end of financial period</b>	<b>2,435</b>	<b>2,849</b>	<b>2,435</b>	<b>2,849</b>

Cash and cash equivalents are represented by:

	Group	
	30 June 2019	30 June 2018
	\$'000	\$'000
Cash and cash equivalents on the consolidated statement of financial position	28,492	27,543
Fixed deposits pledged	(26,057)	(24,694)
<b>Cash and cash equivalents per consolidated statement of cash flows</b>	<b>2,435</b>	<b>2,849</b>



- 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 June 2019 (30 June 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 June 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 June 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 June 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			
	2Q 2019 Ended 30 June 2019	2Q 2018 Ended 30 June 2018	1H 2019 Ended 30 June 2019	1H 2018 Ended 30 June 2018
	\$'000	\$'000	\$'000	\$'000
Loss attributable to equity holders of the Company	(3,014)	(3,631)	(5,163)	(6,942)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue				
- 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 per share is calculated based on the Group's 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 per share is calculated based on the Group's 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			
	2Q 2019 Ended 30 June 2019	2Q 2018 Ended 30 June 2018	1H 2019 Ended 30 June 2019	1H 2018 Ended 30 June 2018
	Cents	cents	cents	cents
Basic loss per share	(5.79)	(6.97)	(9.92)	(13.33)
Diluted loss per share	(5.79)	(6.97)	(9.92)	(13.33)



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 2019	31 December 2018	30 June 2019	31 December 2018
	\$	\$	\$	\$
Net asset value per ordinary share	1.04	1.14	0.45	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 \$1.9 million from \$12.2 million in 2Q 2018 to \$14.1 million in 2Q 2019. The increase was mainly due to higher level of prefabrication activities.

The Group suffered a gross loss margin of 2% in 2Q 2019 compared to gross loss margin of 4% in 2Q 2018. The gross loss margin was mainly due to stiff industry competition, unfavourable market conditions and rising material costs in our prefabrication projects. However, the Group managed to reduce the gross loss margin by focusing on efforts to streamline operations and control costs.

Other income fell slightly by \$82K.

General and administrative expenses decreased from \$3.5 million in 2Q 2018 to \$2.8 million in 2Q 2019 mainly due to \$0.8 million decrease in impairment of trade receivables.

Finance costs of the Group increased from \$0.4 million in 2Q 2018 to \$0.6 million in 2Q 2019 mainly due to rising interest rates of borrowings.

Loss before tax of the Group was lower at \$3.0 million for 2Q 2019, compared to a loss before tax of \$3.6 million for 2Q 2018.

The Group recorded a tax credit of \$8K for 2Q 2019 (2Q 2018: \$1K) after reviewing its current tax status.

After consideration of the above, the Group recorded loss after tax of \$3.0 million in 2Q 2019 (2Q 2018: loss after tax of \$3.6 million).

The Group suffered other comprehensive loss of \$96K from unfavourable foreign currency movements in foreign subsidiaries in 2Q 2019 (2Q 2018: \$80K).

The Group reported total comprehensive loss of \$3.1 million in 2Q 2019 (2Q 2018: \$3.7 million).

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

Total assets of the Group decreased by \$2.9 million from \$168.2 million as at 31 December 2018 to \$165.3 million as at 30 June 2019.

Total liabilities of the Group increased by \$2.3 million from \$109.0 million as at 31 December 2018 to \$111.3 million as at 30 June 2019, of which \$1.2 million came from recognition of lease liabilities due to adoption of SFRS(I) 16 and \$0.5 million came from increase in borrowings.

The net assets of the Group recorded as at 30 June 2019 was \$54.0 million.

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

The Group generated net cash of \$0.4 million from its operating activities in 2Q 2019.

It used \$1.2 million in investing activities for purchasing of property, plant and equipment.

It used \$0.5 million in financing activities mainly because loan and interest repayments were more than loan drawdowns.

Overall, the Group used \$1.3 million in 2Q 2019, and the cash and cash equivalents stood at \$2.4 million as at 30 June 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 (1Q 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.**

Business environment remains challenging. The construction industry in Singapore has been in the doldrums in recent quarters and is facing great pricing pressure. The Group will 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 June 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 <a href="#">Rule 920</a> )	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <a href="#">Rule 920</a> (excluding transactions less than \$100,000)
Triton Metal Supplies Pte Ltd	\$692,000	Nil

**BY ORDER OF THE BOARD**

MS KOH EE KOON  
COMPANY SECRETARY  
14 August 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 June 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 August 2019