

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

First Quarter Financial Statement Announcement for the Period Ended 31 March 2017

PART I INFORMATION REQUIRED FOR 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.

First quarter financial statement on consolidated results for the period ended 31 March 2017.
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2017	1st Quarter 2016	Increase/ (Decrease)
Revenue	14,153	13,998	1
Other income (Note 1)	126	210	(40)
	14,279	14,208	-
Depreciation of property, plant and equipment	(237)	(123)	93
Exchange gain/(loss), net	47	(3)	NM
Changes in fair value of held for trading equity securities	34	(58)	NM
Impairment loss written back/(Impairment loss) on trade and other receivables and club membership, net	12	(8)	NM
Other expenses	(11,456)	(9,987)	15
	2,679	4,029	(34)
Finance income	132	264	(50)
Finance expense	(5,458)	(5,771)	(5)
Net finance expense	(5,326)	(5,507)	(3)
	(2,647)	(1,478)	79
Share of results of associate and joint venture, net of tax	-	(1)	NM
Loss before tax	(2,647)	(1,479)	79
Tax expense	(675)	241	NM
Loss for the period	(3,322)	(1,238)	168
Loss attributable to:			
Owners of the Company	(1,593)	54	NM
Non-controlling interests	(1,729)	(1,292)	34
Loss for the period	(3,322)	(1,238)	168
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	(15,439)	(19,212)	(20)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(1,066)	(1,438)	(26)
Other comprehensive income for the period, net of tax	(16,505)	(20,650)	(20)
Total comprehensive income for the period	(19,827)	(21,888)	(9)
Total comprehensive income attributable to:			
Owners of the Company	(7,677)	(7,621)	1
Non-controlling interests	(12,150)	(14,267)	(15)
Total comprehensive income for the period	(19,827)	(21,888)	(9)

Notes:

- (1) Included in Other income is gain on disposal of property, plant and equipment of approximately \$33,000 (2016 : \$Nil).
- (2) NM – Not Meaningful.
- (3) NA – Not Applicable.

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.

	The Group		The Company	
	\$'000		\$'000	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Non-current Assets				
Property, plant and equipment	2,154	2,102	-	-
Subsidiaries	-	-	1,195,757	233,106
Associate and joint venture	#	#	-	-
Investment properties	2,565,206	2,562,574	-	-
Other assets	176	187	-	-
Pledged bank deposits	6,298	6,499	-	-
Deferred tax assets	343	239	-	-
	2,574,177	2,571,601	1,195,757	233,106
Current Assets				
Other assets	385	354	-	-
Current tax assets	139	145	-	-
Development properties	245,179	245,179	-	-
Trade and other receivables	4,903	4,676	45	26
Amounts due from subsidiaries	-	-	184,628	269,713
Cash and cash equivalents	69,027	77,370	645	1,936
	319,633	327,724	185,318	271,675
Total Assets	2,893,810	2,899,325	1,381,075	504,781
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,460,379	1,468,056	690,453	72,182
	1,546,017	1,553,694	877,141	258,870
Non-controlling interests	506,526	518,676	-	-
Total Equity	2,052,543	2,072,370	877,141	258,870
Non-current Liabilities				
Loans and borrowings	574,514	729,478	119,685	219,276
Trade and other payables	14,197	13,821	-	-
Amounts due to subsidiaries	-	-	260,580	-
Deferred tax liabilities	427	473	-	-
	589,138	743,772	380,265	219,276
Current Liabilities				
Loans and borrowings	188,785	5,230	99,718	-
Trade and other payables	59,088	74,514	1,954	4,638
Amounts due to subsidiaries	-	-	21,997	21,997
Current tax liabilities	4,256	3,439	-	-
	252,129	83,183	123,669	26,635
Total Liabilities	841,267	826,955	503,934	245,911
Total Equity and Liabilities	2,893,810	2,899,325	1,381,075	504,781

Amount less than \$1,000

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

Amount repayable in one year or less, or on demand

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$88,978,000	\$99,807,000	\$5,120,000	\$110,000

Amount repayable after one year

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$413,898,000	\$160,616,000	\$467,943,000	\$261,535,000

Details of any collaterals

The borrowings by the subsidiaries are generally secured by the Group's certain investment properties and certain development properties and are guaranteed by the Company and/or its 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.

	The Group	
	\$'000	
	1st Quarter 2017	1st Quarter 2016
Cash Flows from Operating Activities		
Loss before tax	(2,647)	(1,479)
Adjustments for:		
Share of results of associate and joint venture, net of tax	-	1
Depreciation of property, plant and equipment	237	123
Changes in fair value of held for trading equity securities	(34)	58
Gain on disposal of property, plant and equipment	(33)	-
Loss on disposal of other assets	-	38
(Impairment loss written back)/Impairment loss on trade and other receivables and club membership, net	(12)	8
Finance income	(132)	(264)
Finance expense	5,458	5,771
	2,837	4,256
Changes in working capital:		
Trade and other receivables	(202)	52
Trade and other payables	(11,674)	(9,039)
Cash used in operations	(9,039)	(4,731)
Tax paid	#	(13)
Tax refund	-	941
Net Cash used in Operating Activities	(9,039)	(3,803)
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(18,356)	(9,629)
Purchase of property, plant and equipment	(263)	(38)
Purchase of other assets	(5)	-
Proceeds from disposal other assets	-	144
Proceeds from disposal of property, plant and equipment	33	-
Interest received	129	263
Net Cash used in Investing Activities	(18,462)	(9,260)
Cash Flows from Financing Activities		
Decrease/(Increase) in pledged bank deposits	77	(547)
Interest paid	(8,384)	(8,515)
Payment of finance lease liabilities	(2)	(7)
Payment of transaction costs on loans and borrowings	(7,141)	-
Repayments of loans and borrowings	(776,236)	(135)
Proceeds from loans and borrowings	813,500	26,448
Net Cash from Financing Activities	21,814	17,244
Net (Decrease)/Increase in Cash and Cash Equivalents	(5,687)	4,181
Cash and cash equivalents at 1 January	77,370	163,759
Effect of exchange rate fluctuations on cash held	(2,656)	(4,478)
Cash and Cash Equivalents at 31 March	69,027	163,462
Cash and Cash Equivalents at 31 March is represented by:		
Cash at banks and in hand	3,724	5,254
Deposits	71,601	162,897
Cash and cash equivalents	75,325	168,151
Less: Pledged bank deposits (non-current)	(6,298)	(4,689)
	69,027	163,462

Amount less than \$1,000

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.

\$'000								
Attributable to Owners of the Company						Non-Controlling Interests	Total Equity	
Share Capital	Capital and Other Reserves	Treasury Shares	Translation Reserves	Retained Profit	Total			
The Group								
At 1 January 2016	186,688	2,371	(101,050)	(30,604)	1,426,302	1,483,707	500,987	1,984,694
Total comprehensive income for the period								
Profit/(Loss) for the period	-	-	-	-	54	54	(1,292)	(1,238)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	(6,237)	-	(6,237)	(12,975)	(19,212)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(1,438)	-	(1,438)	-	(1,438)
Total other comprehensive income, net of tax	-	-	-	(7,675)	-	(7,675)	(12,975)	(20,650)
Total comprehensive income for the period	-	-	-	(7,675)	54	(7,621)	(14,267)	(21,888)
At 31 March 2016	186,688	2,371	(101,050)	(38,279)	1,426,356	1,476,086	486,720	1,962,806
At 1 January 2017	186,688	2,472	(101,050)	(26,774)	1,492,358	1,553,694	518,676	2,072,370
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,593)	(1,593)	(1,729)	(3,322)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(4)	-	(5,014)	-	(5,018)	(10,421)	(15,439)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(1,066)	-	(1,066)	-	(1,066)
Total other comprehensive income, net of tax	-	(4)	-	(6,080)	-	(6,084)	(10,421)	(16,505)
Total comprehensive income for the period	-	(4)	-	(6,080)	(1,593)	(7,677)	(12,150)	(19,827)
At 31 March 2017	186,688	2,468	(101,050)	(32,854)	1,490,765	1,546,017	506,526	2,052,543
The Company								
At 1 January 2016	186,688	-	-	-	83,881	270,569	-	270,569
Loss and total comprehensive income for the period	-	-	-	-	(2,088)	(2,088)	-	(2,088)
At 31 March 2016	186,688	-	-	-	81,793	268,481	-	268,481
At 1 January 2017	186,688	-	-	-	72,182	258,870	-	258,870
Profit and total comprehensive income for the period	-	-	-	-	618,271	618,271	-	618,271
At 31 March 2017	186,688	-	-	-	690,453	877,141	-	877,141

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 immediate preceding financial year.

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.**

Total number of issued shares excluding treasury shares

The Company	
31.03.2017	31.12.2016
870,612,140	870,612,140

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

NA.

- 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.**

NA.

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

The figures have not been audited nor reviewed by the Company's auditors.

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

NA.

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

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the Group's and the Company's audited financial statements for the year ended 31 December 2016.

- 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.**

Nil.

- 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.**

Earnings per ordinary share of the Group after deducting any provision for preference dividends:

- (a) Based on the weighted average number of ordinary shares on issue; and
 (b) On a fully diluted basis (detailing any adjustments made to the earnings)

The Group	
1st Quarter 2017	1st Quarter 2016
(0.23) cts	0.01 cts
(0.23) cts	0.01 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated loss attributable to ordinary shareholders for the period of approximately \$1,593,000 (2016 : profit of \$54,000) and the weighted average number of ordinary shares outstanding of 693,022,508 (2016 : 693,022,508) which excludes ordinary shares held by an investee.

For comparative purposes, the number of ordinary shares as at 31 March 2016 was adjusted to include the issue in April 2016 of one bonus share for every ten existing ordinary shares held for the calculation of basic and diluted earnings per share as though the bonus issue had taken place in the first quarter of 2016.

There are no potential dilutive ordinary shares in existence as at 31 March 2017 and 31 March 2016.

7. **Net asset value (for the issuer and 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 financial period reported on; and**
(b) **immediately preceding financial year.**

Net asset value per ordinary share based on the total number of issued shares excluding treasury shares and excluding ordinary shares held by an investee

The Group		The Company	
31.03.2017	31.12.2016	31.03.2017	31.12.2016
223 cts	224 cts	101 cts	30 cts

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.**

The Group's revenue increased marginally from approximately \$14.0 million to \$14.2 million. This was mainly because of the increase in rental income from its properties notwithstanding that a property in Hong Kong is undergoing renovation works.

The decrease in the Group's other income of approximately \$0.08 million was mainly due to lower compensation/forfeiture income and government grants/schemes. However, these were partially offset by a gain on disposal of motor vehicles.

The increase in depreciation of property, plant and equipment was mainly due to office equipment purchased which was fully depreciated in this period.

The increase in other expenses was mainly due to certain costs incurred on the renovation of the investment property in Hong Kong and the upcoming hotel in Singapore being expensed off and also an increase in rental commission for this period.

The decrease in finance income was due mainly to lower deposits placed with financial institutions as compared to the previous corresponding period.

There was tax expense for the current period as compared to a credit in tax expense in the previous corresponding period. The tax expense for the current period was due to certain expenses incurred not being deductible for tax purposes and losses incurred by certain group companies not being able to be offset against profits made by other group companies.

Hence, the Group recorded a loss after tax of approximately \$3.3 million as compared to that of approximately \$1.2 million in the previous corresponding period.

The Group's decrease in loans and borrowings (non-current) was due mainly to the reclassification of certain secured bank loans and \$100 million in principal amount of unsecured notes due in the first quarter of 2018 from non-current liabilities to current liabilities. The Group can repay these loans and borrowings from its available undrawn facilities and/or refinance them. The Group is confident that these loans and borrowings will be refinanced or repaid by their respective due dates.

In line with the above, the Group recorded an increase in loans and borrowings under current liabilities. In addition, there was also an increase in its loans to fund the construction costs of Yotel Singapore.

The decrease in trade and other payables was mainly due to expenses for the payment of employee benefits and interest expense accrued as at 31 December 2016.

The increase in current tax liabilities was due mainly to the provision of tax expense during the period.

The Group recorded net cash used in operating activities of approximately \$9.0 million. This was mainly due to a decrease in trade and other payables. The Group's net cash used in investing activities was mainly for the construction costs of its hotel, Yotel Singapore.

In the first quarter of 2017, the Group refinanced its secured loans due 2019. As a result, there was payment of transaction costs on loans and borrowings of approximately \$7.1 million. The refinanced bank loans will be due in the first quarter of 2022.

As at 31 March 2017, the Group's cash and cash equivalents amounted to approximately \$69.0 million.

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

NA.

10. **A commentary at the date of the 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 Group's recurring income will be from rental income of its investment and development properties. The residential sales market is showing more positive sentiments with the easing of the seller's stamp duty but will remain subdued with the raft of cooling measures largely unchanged and the impending rise in interest rates.

The upcoming hotel development, Yotel Singapore is expected to commence operation in the second half of 2017.

11. **If a decision regarding dividend has been made:**

(a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**

None.

(b)(i) **Amount per share cents**

NA.

(ii) **Previous corresponding period cents**

NA.

(c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

NA.

(d) **The date the dividend is payable.**

NA.

(e) **The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

NA.

12. **If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared/recommendeded for the first quarter ended 31 March 2017.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a general mandate from shareholders for interested person transactions.

14. **Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).**

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 First Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 31 March 2017 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set in Appendix 7.7) under Rule 720(1).

The Company has procured the undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Lo Swee Oi
Koh Chay Tiang
Company Secretaries
15 May 2017