

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Third Quarter Financial Statement Announcement for the Period Ended 30 September 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.**

Third quarter financial statement on consolidated results for the period ended 30 September 2017.
These figures have not been audited.

	The Group		
	\$'000		%
	3rd Quarter 2017	3rd Quarter 2016	Increase/ (Decrease)
Revenue (Note 1)	20,248	13,999	45
Other income (Note 2)	44	77	(43)
	20,292	14,076	44
Cost of sales of development properties	(4,921)	-	NM
Depreciation of property, plant and equipment	(132)	(125)	6
Exchange gain/(loss), net	25	(4)	NM
Changes in fair value of held for trading equity securities	19	39	(51)
Impairment loss written back on trade and other receivables	108	30	260
Other expenses	(13,727)	(10,102)	36
	1,664	3,914	(57)
Finance income	145	153	(5)
Finance expense	(6,476)	(5,154)	26
Net finance expense	(6,331)	(5,001)	27
	(4,667)	(1,087)	329
Share of results of associate and joint venture, net of tax	-	1	NM
Loss before tax (Note 3)	(4,667)	(1,086)	330
Tax expense	(898)	(1,015)	(12)
Loss for the period	(5,565)	(2,101)	165
Loss attributable to:			
Owners of the Company	(3,787)	(813)	366
Non-controlling interests	(1,778)	(1,288)	38
Loss for the period	(5,565)	(2,101)	165
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	(5,719)	5,014	NM
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(399)	447	NM
Other comprehensive income for the period, net of tax	(6,118)	5,461	NM
Total comprehensive income for the period	(11,683)	3,360	NM
Total comprehensive income attributable to:			
Owners of the Company	(6,047)	1,262	NM
Non-controlling interests	(5,636)	2,098	NM
Total comprehensive income for the period	(11,683)	3,360	NM

Notes:

- (1) Included in Revenue is investment income of approximately \$2,000 (2016 : \$2,000).
- (2) Included in Other income is net loss on disposal of property, plant and equipment of approximately \$17,000 (2016 : \$Nil).
- (3) Included in Loss before tax is net profit on sale of development properties of approximately \$758,000 (2016 : \$Nil).
- (4) NM – Not Meaningful.
- (5) 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	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Non-current Assets				
Property, plant and equipment	2,196	2,102	-	-
Subsidiaries	-	-	1,127,437	233,106
Associate and joint venture	#	#	-	-
Investment properties	2,592,568	2,562,574	-	-
Other assets	177	187	-	-
Pledged bank deposits	7,173	6,499	-	-
Deferred tax assets	516	239	-	-
	2,602,630	2,571,601	1,127,437	233,106
Current Assets				
Other assets	1,797	354	-	-
Current tax assets	135	145	-	-
Development properties	240,420	245,179	-	-
Trade and other receivables	4,660	4,676	63	26
Amounts due from subsidiaries	-	-	219,914	269,713
Cash and cash equivalents	56,462	77,370	796	1,936
	303,474	327,724	220,773	271,675
Total Assets	2,906,104	2,899,325	1,348,210	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	1,446,415	1,468,056	679,795	72,182
	1,532,053	1,553,694	866,483	258,870
Non-controlling interests	499,618	518,676	-	-
Total Equity	2,031,671	2,072,370	866,483	258,870
Non-current Liabilities				
Loans and borrowings	635,810	729,478	119,765	219,276
Trade and other payables	14,241	13,821	-	-
Amounts due to subsidiaries	-	-	238,080	-
Deferred tax liabilities	407	473	-	-
	650,458	743,772	357,845	219,276
Current Liabilities				
Loans and borrowings	161,456	5,230	99,892	-
Trade and other payables	59,524	74,514	1,993	4,638
Amounts due to subsidiaries	-	-	21,997	21,997
Current tax liabilities	2,995	3,439	-	-
	223,975	83,183	123,882	26,635
Total Liabilities	874,433	826,955	481,727	245,911
Total Equity and Liabilities	2,906,104	2,899,325	1,348,210	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 30.09.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$61,509,000	\$99,947,000	\$5,120,000	\$110,000

Amount repayable after one year

As at 30.09.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$474,197,000	\$161,613,000	\$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	
	3rd Quarter 2017	3rd Quarter 2016
Cash Flows from Operating Activities		
Loss before tax	(4,667)	(1,086)
Adjustments for:		
Share of results of associate and joint venture, net of tax	-	(1)
Depreciation of property, plant and equipment	132	125
Changes in fair value of held for trading equity securities	(19)	(39)
Loss on disposal of property, plant and equipment	17	-
Impairment loss written back on trade and other receivables	(108)	(30)
Finance income	(145)	(153)
Finance expense	6,476	5,154
	1,686	3,970
Changes in working capital:		
Development properties	4,759	-
Trade and other receivables	1,080	108
Trade and other payables	(735)	7,571
Cash generated from operations	6,790	11,649
Tax paid	(1,379)	(724)
Tax refund	-	256
Net Cash from Operating Activities	5,411	11,181
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(10,045)	(17,909)
Purchase of property, plant and equipment	(82)	(52)
Purchase of other assets	(1,377)	-
Proceeds from disposal of property, plant and equipment	11	-
Interest received	192	131
Net Cash used in Investing Activities	(11,301)	(17,830)
Cash Flows from Financing Activities		
Increase in pledged bank deposits	(470)	(649)
Interest paid	(8,023)	(7,517)
Payment of finance lease liabilities	(5)	(8)
Repayments of loans and borrowings	(7,025)	(54,955)
Proceeds from loans and borrowings	15,100	-
Net Cash used in Financing Activities	(423)	(63,129)
Net Decrease in Cash and Cash Equivalents	(6,313)	(69,778)
Cash and cash equivalents at 1 July	63,646	159,054
Effect of exchange rate fluctuations on cash held	(871)	1,624
Cash and Cash Equivalents at 30 September	56,462	90,900
Cash and Cash Equivalents at 30 September is represented by:		
Cash at banks and in hand	4,922	5,382
Deposits	58,713	91,429
Cash and cash equivalents	63,635	96,811
Less: Pledged bank deposits (non-current)	(7,173)	(5,911)
	56,462	90,900

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 July 2016	186,688	2,371	(101,050)	(38,380)	1,418,864	1,468,493	485,194	1,953,687	
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(813)	(813)	(1,288)	(2,101)	
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	1,628	-	1,628	3,386	5,014	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	447	-	447	-	447	
Total other comprehensive income, net of tax	-	-	-	2,075	-	2,075	3,386	5,461	
Total comprehensive income for the period	-	-	-	2,075	(813)	1,262	2,098	3,360	
At 30 September 2016	186,688	2,371	(101,050)	(36,305)	1,418,051	1,469,755	487,292	1,957,047	
At 1 July 2017	186,688	2,465	(101,050)	(36,028)	1,486,025	1,538,100	505,254	2,043,354	
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(3,787)	(3,787)	(1,778)	(5,565)	
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries	-	(1)	-	(1,860)	-	(1,861)	(3,858)	(5,719)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(399)	-	(399)	-	(399)	
Total other comprehensive income, net of tax	-	(1)	-	(2,259)	-	(2,260)	(3,858)	(6,118)	
Total comprehensive income for the period	-	(1)	-	(2,259)	(3,787)	(6,047)	(5,636)	(11,683)	
At 30 September 2017	186,688	2,464	(101,050)	(38,287)	1,482,238	1,532,053	499,618	2,031,671	
The Company									
At 1 July 2016	186,688	-	-	-	72,175	258,863	-	258,863	
Loss and total comprehensive income for the period	-	-	-	-	(564)	(564)	-	(564)	
At 30 September 2016	186,688	-	-	-	71,611	258,299	-	258,299	
At 1 July 2017	186,688	-	-	-	680,603	867,291	-	867,291	
Loss and total comprehensive income for the period	-	-	-	-	(808)	(808)	-	(808)	
At 30 September 2017	186,688	-	-	-	679,795	866,483	-	866,483	

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.

The Company	
30.09.2017	31.12.2016
870,612,140	870,612,140

Total number of issued shares excluding treasury shares

- 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.

The Group	
3rd Quarter 2017	3rd Quarter 2016
(0.55) cts	(0.12) cts
(0.55) cts	(0.12) cts

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 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 \$3,787,000 (2016 : \$813,000) 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.

There are no potential dilutive ordinary shares in existence as at 30 September 2017 and 30 September 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	
30.09.2017	31.12.2016	30.09.2017	31.12.2016
221 cts	224 cts	100 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 for the current period increased significantly from approximately \$14.0 million to \$20.2 million. This was mainly due to the sales of two residential units in Singapore.

The Group's other income decreased mainly due to the loss on disposal of property, plant and equipment in the current period and a decrease in licence fee income from its investment properties.

With the recognition of sales revenue, the Group recorded the corresponding amount of cost of sales for these two units.

The increase in impairment loss written back on trade and other receivables was mainly due to the doubtful debts provided in prior periods being reversed in the current period.

The increase in other expenses was mainly due to pre-opening and other costs incurred for Yotel Singapore Orchard Road ("Yotel").

The increase in finance expense for the current period as compared to the previous period was mainly due to increases in loans and borrowings, amortised transaction costs on loans and borrowings and amortised imputed interest on unsecured bonds. In addition, upon completion of construction of Yotel in June 2017, interest expense incurred has been expensed off in this current period.

Hence, the Group recorded a loss of approximately \$5.6 million as compared to a loss of approximately \$2.1 million in the previous corresponding period. The Group's loss attributable to owners of the Company was approximately \$3.8 million as compared to a loss of approximately \$0.8 million in the previous corresponding period.

The increase in the Group's other assets (current) was mainly due to the purchase of 5.7% fixed rate notes due January 2018 by its investee in Hong Kong. The notes are listed on The Stock Exchange of Hong Kong Limited.

The Group's increase in loans and borrowings (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 in 2016 to current liabilities. The Group is confident that these loans and borrowings will be refinanced and/or repaid from its available undrawn facilities by their respective due dates.

In line with the above, the Group recorded a decrease in loans and borrowings under non-current liabilities. In addition, there was also an increase in its loans and borrowings and a decrease in cash and cash equivalents to fund the construction costs of Yotel and the renovation costs of an investment property in Hong Kong.

The decrease in trade and other payables was mainly due to recognition of the deferred consideration received in advance to gain on disposal of subsidiaries in the second quarter of 2017 and the payment of expenses accrued as at 31 December 2016.

The Group's net cash used in investing activities was mainly for the construction costs of Yotel. As at 30 September 2017, the Group's cash and cash equivalents amounted to approximately \$56.5 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 investment property, Yotel, a 30-storey hotel with 610 guest rooms, commenced operations on 1 October 2017. The Group's recurring income will be from rental income from its investment and development properties and Yotel is expected to contribute additional recurring income for the Group.

The hospitality sector is expected to be challenging with demand being price sensitive due to the increase in supply of hotel rooms.

The Group will continue to market its development properties for sale given that the residential sales market is showing more positive sentiments.

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 third quarter ended 30 September 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 Third Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 September 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
13 November 2017