

# HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

## Second Quarter Financial Statement Announcement for the Period Ended 30 June 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.**

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

	The Group		
	\$'000		%
	2nd Quarter 2017	2nd Quarter 2016	Increase/ (Decrease)
<b>Revenue</b>	14,668	14,012	5
Other income	74	73	1
	14,742	14,085	5
Depreciation of property, plant and equipment	(126)	(124)	2
Exchange gain, net	124	42	195
Gain on disposal of subsidiaries	9,210	-	NM
Changes in fair value of held for trading equity securities	23	33	(30)
Impairment loss on trade and other receivables and club membership, net	(119)	(14)	750
Other expenses	(11,293)	(9,968)	13
	12,561	4,054	210
Finance income	139	208	(33)
Finance expense	(5,949)	(5,525)	8
Net finance expense	(5,810)	(5,317)	9
	6,751	(1,263)	NM
Share of results of associate and joint venture, net of tax	-	#	NM
<b>Profit/(Loss) before tax</b>	6,751	(1,263)	NM
Tax expense	(407)	(660)	(38)
<b>Profit/(Loss) for the period</b>	6,344	(1,923)	NM
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company	2,190	(562)	NM
Non-controlling interests	4,154	(1,361)	NM
<b>Profit/(Loss) for the period</b>	6,344	(1,923)	NM
<b>Other comprehensive income, net of tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign subsidiaries	(8,053)	(250)	3,121
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(550)	(16)	3,338
<b>Other comprehensive income for the period, net of tax</b>	(8,603)	(266)	3,134
<b>Total comprehensive income for the period</b>	(2,259)	(2,189)	3
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	(987)	(663)	49
Non-controlling interests	(1,272)	(1,526)	(17)
<b>Total comprehensive income for the period</b>	(2,259)	(2,189)	3

# Amount less than \$1,000

Notes:

- (1) NM – Not Meaningful.
- (2) 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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
<b>Non-current Assets</b>				
Property, plant and equipment	2,283	2,102	-	-
Subsidiaries	-	-	1,146,787	233,106
Associate and joint venture	#	#	-	-
Investment properties	2,593,328	2,562,574	-	-
Other assets	178	187	-	-
Pledged bank deposits	6,756	6,499	-	-
Deferred tax assets	442	239	-	-
	2,602,987	2,571,601	1,146,787	233,106
<b>Current Assets</b>				
Other assets	406	354	-	-
Current tax assets	137	145	-	-
Development properties	245,179	245,179	-	-
Trade and other receivables	5,669	4,676	69	26
Amounts due from subsidiaries	-	-	216,708	269,713
Cash and cash equivalents	63,646	77,370	761	1,936
	315,037	327,724	217,538	271,675
<b>Total Assets</b>	2,918,024	2,899,325	1,364,325	504,781
<b>Equity Attributable to Owners of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,452,462	1,468,056	680,603	72,182
	1,538,100	1,553,694	867,291	258,870
Non-controlling interests	505,254	518,676	-	-
<b>Total Equity</b>	2,043,354	2,072,370	867,291	258,870
<b>Non-current Liabilities</b>				
Loans and borrowings	622,083	729,478	119,725	219,276
Trade and other payables	14,237	13,821	-	-
Amounts due to subsidiaries	-	-	250,880	-
Deferred tax liabilities	413	473	-	-
	636,733	743,772	370,605	219,276
<b>Current Liabilities</b>				
Loans and borrowings	167,170	5,230	99,805	-
Trade and other payables	67,370	74,514	4,627	4,638
Amounts due to subsidiaries	-	-	21,997	21,997
Current tax liabilities	3,397	3,439	-	-
	237,937	83,183	126,429	26,635
<b>Total Liabilities</b>	874,670	826,955	497,034	245,911
<b>Total Equity and Liabilities</b>	2,918,024	2,899,325	1,364,325	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 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$67,293,000	\$99,877,000	\$5,120,000	\$110,000

**Amount repayable after one year**

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$460,097,000	\$161,986,000	\$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	
	2nd Quarter 2017	2nd Quarter 2016
<b>Cash Flows from Operating Activities</b>		
Profit/(Loss) before tax	6,751	(1,263)
Adjustments for:		
Share of results of associate and joint venture, net of tax	-	#
Depreciation of property, plant and equipment	126	124
Changes in fair value of held for trading equity securities	(23)	(33)
Gain on disposal of subsidiaries	(9,210)	-
Loss on disposal of other assets	-	42
Loss on disposal of property, plant and equipment	-	2
Impairment loss on trade and other receivables and club membership, net	119	14
Finance income	(139)	(208)
Finance expense	5,949	5,525
	3,573	4,203
Changes in working capital:		
Trade and other receivables	(869)	(422)
Trade and other payables	181	(1,244)
Cash generated from operations	2,885	2,537
Tax paid	(1,379)	(757)
Tax refund	-	21
<b>Net Cash from Operating Activities</b>	1,506	1,801
<b>Cash Flows from Investing Activities</b>		
Capital expenditure on investment properties	(21,668)	(10,302)
Purchase of property, plant and equipment	(262)	(71)
Purchase of other assets	(15)	-
Proceeds from disposal other assets	-	16
Interest received	113	239
Disposal of subsidiaries, net of cash	(18)	-
<b>Net Cash used in Investing Activities</b>	(21,850)	(10,118)
<b>Cash Flows from Financing Activities</b>		
Increase in pledged bank deposits	(522)	(546)
Interest paid	(2,602)	(3,014)
Dividend paid	(6,930)	(6,930)
Payment of finance lease liabilities	(5)	(8)
Repayments of loans and borrowings	(21,836)	(135)
Proceeds from loans and borrowings	48,140	14,608
<b>Net Cash from Financing Activities</b>	16,245	3,975
<b>Net Decrease in Cash and Cash Equivalents</b>	(4,099)	(4,342)
Cash and cash equivalents at 1 April	69,027	163,462
Effect of exchange rate fluctuations on cash held	(1,282)	(66)
<b>Cash and Cash Equivalents at 30 June</b>	63,646	159,054
<b>Cash and Cash Equivalents at 30 June is represented by:</b>		
Cash at banks and in hand	4,653	4,343
Deposits	65,749	159,945
Cash and cash equivalents	70,402	164,288
Less: Pledged bank deposits (non-current)	(6,756)	(5,234)
	63,646	159,054

# Amount less than \$1,000

## Summary of Effect of Disposal of Subsidiaries

	The Group
	\$'000
	2nd Quarter 2017
Inter-company loans	221
Cash and cash equivalents	18
Trade and other payables	(9,228)
Net liabilities disposed of	(8,989)
Gain on disposal of subsidiaries	9,210
Assignment of inter-company loans	(221)
	-
Cash and cash equivalents disposed of	(18)
Disposal of subsidiaries, net of cash	(18)

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			
<b>The Group</b>								
At 1 April 2016	186,688	2,371	(101,050)	(38,279)	1,426,356	1,476,086	486,720	1,962,806
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(562)	(562)	(1,361)	(1,923)
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	(85)	-	(85)	(165)	(250)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(16)	-	(16)	-	(16)
Total other comprehensive income, net of tax	-	-	-	(101)	-	(101)	(165)	(266)
<b>Total comprehensive income for the period</b>	-	-	-	(101)	(562)	(663)	(1,526)	(2,189)
<b>Transactions with Owners, recorded directly in equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(6,930)	(6,930)	-	(6,930)
<b>Total transactions with Owners</b>	-	-	-	-	(6,930)	(6,930)	-	(6,930)
At 30 June 2016	186,688	2,371	(101,050)	(38,380)	1,418,864	1,468,493	485,194	1,953,687
At 1 April 2017	186,688	2,468	(101,050)	(32,854)	1,490,765	1,546,017	506,526	2,052,543
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	2,190	2,190	4,154	6,344
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(3)	-	(2,624)	-	(2,627)	(5,426)	(8,053)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(550)	-	(550)	-	(550)
Total other comprehensive income, net of tax	-	(3)	-	(3,174)	-	(3,177)	(5,426)	(8,603)
<b>Total comprehensive income for the period</b>	-	(3)	-	(3,174)	2,190	(987)	(1,272)	(2,259)
<b>Transactions with Owners, recorded directly in equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(6,930)	(6,930)	-	(6,930)
<b>Total transactions with Owners</b>	-	-	-	-	(6,930)	(6,930)	-	(6,930)
At 30 June 2017	186,688	2,465	(101,050)	(36,028)	1,486,025	1,538,100	505,254	2,043,354
<b>The Company</b>								
At 1 April 2016	186,688	-	-	-	81,793	268,481	-	268,481
Loss and total comprehensive income for the period	-	-	-	-	(912)	(912)	-	(912)
<b>Transactions with Owners, recorded directly in equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(8,706)	(8,706)	-	(8,706)
<b>Total Transactions with Owners</b>	-	-	-	-	(8,706)	(8,706)	-	(8,706)
At 30 June 2016	186,688	-	-	-	72,175	258,863	-	258,863
At 1 April 2017	186,688	-	-	-	690,453	877,141	-	877,141
Loss and total comprehensive income for the period	-	-	-	-	(1,144)	(1,144)	-	(1,144)
<b>Transactions with Owners, recorded directly in equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(8,706)	(8,706)	-	(8,706)
<b>Total Transactions with Owners</b>	-	-	-	-	(8,706)	(8,706)	-	(8,706)
At 30 June 2017	186,688	-	-	-	680,603	867,291	-	867,291

- 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	
30.06.2017	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	
2nd Quarter 2017	2nd Quarter 2016
0.32 cts	(0.08) cts
0.32 cts	(0.08) 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 profit attributable to ordinary shareholders for the period of approximately \$2,190,000 (2016 : loss of \$562,000) 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 June 2017 and 30 June 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	
30.06.2017	31.12.2016	30.06.2017	31.12.2016
222 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 increased marginally from approximately \$14.0 million to \$14.7 million. This was mainly because of the increase in rental income from its properties and property management income.

The Group recorded a gain on disposal of subsidiaries of approximately \$9.2 million. This was mainly from the recognition of the deferred consideration received in advance in relation to the estimated tax exposure on the gain on disposal of the subsidiary in 2014. As the holding company of this subsidiary was disposed of in this quarter, the Group is of the opinion that this tax exposure is no longer applicable.

The increase in other expenses was mainly due to certain costs incurred for the hotel, Yotel Singapore Orchard Road ("Yotel").

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

Hence, the Group recorded a profit of approximately \$6.3 million as compared to a loss of approximately \$1.9 million in the previous corresponding period. The Group's profit attributable to the owners of the Company was approximately \$2.2 million as compared to a loss of approximately \$0.6 million in the previous corresponding period.

The increase in trade and other receivables was mainly from monies to be received in July 2017 for the Green Mark Incentive Scheme and deposits made for the purchase of amenities for Yotel.

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 and a decrease in cash and cash equivalents to fund the construction costs of Yotel.

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.

The Group's net cash used in investing activities was mainly for the construction costs of Yotel. As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately \$63.6 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 Group obtained Temporary Occupation Permit for Yotel in June 2017. The hotel is expected to commence operation in the fourth quarter 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 second quarter ended 30 June 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 Second Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 June 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  
14 August 2017