

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Third Quarter Financial Statement Announcement for the Period Ended 30 September 2014

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 2014.
These figures have not been audited.

	The Group		%
	\$'000		
	3rd Quarter 2014	3rd Quarter 2013 (Restated)	Increase/ (Decrease)
Revenue (Note 1)	14,645	58,889	(75)
Other income	141	1,645	(91)
	14,786	60,534	(76)
Cost of sales of development properties	-	(35,351)	NM
Depreciation of fixed assets	(93)	(67)	39
Exchange loss, net	(1)	(222)	(100)
(Loss)/Gain on remeasurement of other investments	(162)	146	NM
Impairment loss on trade and other receivables and bad debts written off, net	(9)	-	NM
Impairment loss on other assets	(1)	-	NM
Other expenses	(9,929)	(10,209)	(3)
	4,591	14,831	(69)
Finance expense	(4,982)	(4,755)	5
(Loss)/Profit before income tax (Note 2)	(391)	10,076	NM
Income tax expense	(563)	(1,742)	(68)
(Loss)/Profit for the period	(954)	8,334	NM
(Loss)/Profit attributable to:			
Owners of the Company	(611)	8,982	NM
Non-controlling interests	(343)	(648)	(47)
(Loss)/Profit for the period	(954)	8,334	NM
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	7,121	(3,740)	NM
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	737	(303)	NM
Net change in capital and other reserves	(255)	-	NM
Other comprehensive income for the period, net of income tax	7,603	(4,043)	NM
Total comprehensive income for the period	6,649	4,291	55
Total comprehensive income attributable to:			
Owners of the Company	1,464	22,885	(94)
Non-controlling interests	5,185	(18,594)	NM
Total comprehensive income for the period	6,649	4,291	55

Notes:

- (1) Included in Revenue is investment income of approximately \$6,000 (2013 : \$355,000).
- (2) Included in (Loss)/Profit before income tax is net profit on sale of development properties of approximately \$Nil (2013 : \$9,292,000).
- (3) NM – Not Meaningful.
- (4) 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	
	30.09.2014	31.12.2013 (Restated)	30.09.2014	31.12.2013
Non-current Assets				
Fixed assets	2,038	624	-	-
Subsidiaries	-	-	427,479	431,625
Investment properties	2,126,308	2,096,825	-	-
Other assets	612	750	-	-
	2,128,958	2,098,199	427,479	431,625
Current Assets				
Other investments	1,257	1,402	-	-
Development properties	291,904	443,093	-	-
Trade and other receivables	69,933	19,122	37	7
Cash and cash equivalents	62,237	37,615	24,223	20,077
	425,331	501,232	24,260	20,084
Total Assets	2,554,289	2,599,431	451,739	451,709
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Reserves	1,290,699	1,282,087	45,044	42,131
	1,477,387	1,468,775	231,732	228,819
Non-controlling interests	274,937	258,185	-	-
Total Equity	1,752,324	1,726,960	231,732	228,819
Non-current Liabilities				
Trade and other payables	2,849	7,626	-	-
Loans and borrowings	665,676	327,144	218,135	217,755
Deferred tax liability	-	7,028	-	-
	668,525	341,798	218,135	217,755
Current Liabilities				
Trade and other payables	50,655	58,922	1,872	4,593
Loans and borrowings	72,147	469,575	-	-
Financial guarantees	-	-	-	542
Tax payable	10,638	2,176	-	-
	133,440	530,673	1,872	5,135
Total Liabilities	801,965	872,471	220,007	222,890
Total Equity and Liabilities	2,554,289	2,599,431	451,739	451,709

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 30.09.2014		As at 31.12.2013 (Restated)	
Secured	Unsecured	Secured	Unsecured
\$71,926,000	\$221,000	\$469,575,000	-

Amount repayable after one year

As at 30.09.2014		As at 31.12.2013 (Restated)	
Secured	Unsecured	Secured	Unsecured
\$447,541,000	\$218,135,000	\$109,389,000	\$217,755,000

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 2014	3rd Quarter 2013 (Restated)
Operating Activities	
(Loss)/Profit before income tax	10,076
Adjustments for:	
Amortisation of transaction costs of loans and borrowings	438
Depreciation of fixed assets	67
Gain on disposal of other investments	(350)
Loss/(Gain) on remeasurement of other investments	(146)
Impairment loss on trade and other receivables and bad debts written off, net	-
Impairment loss on other assets	-
Interest income	(45)
Interest expense	4,317
	4,790
Changes in working capital:	
Development properties	(29,481)
Trade and other receivables	1,303
Trade and other payables	(7,592)
Cash generated from/(used in) operations	(21,413)
Income tax paid	(490)
Interest income received	60
Net Cash From/(Used In) Operating Activities	(21,843)
Investing Activities	
Capital expenditure on investment properties	(1,153)
Acquisition of investment properties	(16,491)
Purchase of fixed assets	(32)
Proceeds from disposal of other investments	974
Net Cash Used In Investing Activities	(16,702)
Financing Activities	
Interest expense paid	(7,067)
Payment of transaction costs on loans and borrowings	(1,825)
Payment of acquisition of ownership interests in subsidiaries with no change in control	(427)
Repayments of loans and borrowings	(4,618)
Proceeds from loans and borrowings	13,672
Net Cash Used In Financing Activities	(265)
Net Decrease in Cash and Cash Equivalents	(38,810)
Cash and cash equivalents at 1 July	94,001
Effect of exchange rate fluctuations	(198)
Cash and Cash Equivalents at 30 September	54,993
Cash and Cash Equivalents at 30 September is represented by:	
Cash at banks and in hand	44,441
Fixed deposits	10,552
	54,993

Included in cash and cash equivalents as at 30 September 2014 is an amount held under the Housing Developers (Project Account) Rules of approximately \$22,231,000 (2013 : \$20,120,000) the use of which is subject to restriction imposed by the said Rules.

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 2013, as previously reported	186,688	2,371	-	(52,919)	1,093,610	1,229,750	-	1,229,750
Effect of adopting FRS 110	-	-	(101,050)	(1,840)	2,970	(99,920)	276,698	176,778
At 1 July 2013, as restated	186,688	2,371	(101,050)	(54,759)	1,096,580	1,129,830	276,698	1,406,528
Total comprehensive income for the period								
Profit for the period, restated	-	-	-	-	8,982	8,982	(648)	8,334
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	13,328	878	14,206	(17,946)	(3,740)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(303)	-	(303)	-	(303)
Total other comprehensive income	-	-	-	13,025	878	13,903	(17,946)	(4,043)
Total comprehensive income for the period, restated	-	-	-	13,025	9,860	22,885	(18,594)	4,291
At 30 September 2013, as restated	186,688	2,371	(101,050)	(41,734)	1,106,440	1,152,715	258,104	1,410,819
At 1 July 2014	186,688	3,201	(101,050)	(42,475)	1,429,559	1,475,923	269,752	1,745,675
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(611)	(611)	(343)	(954)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	1,321	-	1,321	5,800	7,121
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	737	-	737	-	737
Net change in capital and other reserves	-	17	-	-	-	17	(272)	(255)
Total other comprehensive income	-	17	-	2,058	-	2,075	5,528	7,603
Total comprehensive income for the period	-	17	-	2,058	(611)	1,464	5,185	6,649
At 30 September 2014	186,688	3,218	(101,050)	(40,417)	1,428,948	1,477,387	274,937	1,752,324
The Company								
At 1 July 2013	186,688	-	-	-	43,215	229,903	-	229,903
Loss for the period - Total comprehensive income for the period	-	-	-	-	(1,023)	(1,023)	-	(1,023)
At 30 September 2013	186,688	-	-	-	42,192	228,880	-	228,880
At 1 July 2014	186,688	-	-	-	40,058	226,746	-	226,746
Profit for the period - Total comprehensive income for the period	-	-	-	-	4,986	4,986	-	4,986
At 30 September 2014	186,688	-	-	-	45,044	231,732	-	231,732

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 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.

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	
30.09.2014	31.12.2013
791,465,621	791,465,621

- 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.**

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.**

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 compared with the Group's and the Company's audited financial statements for the year ended 31 December 2013.

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.**

The Group has adopted various new/revised Financial Reporting Standards (FRS) which became effective for the Group's financial year beginning on 1 January 2014. These FRS, amendments to FRS and interpretations are set out below:

Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not expect any significant financial impact on its financial position from the adoption of amendment to FRS 32.

FRS 110 *Consolidated Financial Statements*, which changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power with the investee. FRS 110 introduces a single control model with a series of indicators to assess control. FRS 110 also adds additional context, explanation and application guidance based on the principle of control.

The Group has re-evaluated its involvement with investees under the new control model. Based on its assessment, the Group is required under FRS 110 to consolidate Winfoong International Limited and its subsidiaries as well as Hong Fok Land International Limited and its subsidiaries.

In accordance with FRS 110, this change in accounting policy was applied retrospectively. Accordingly, the effects of the Group's financial statements arising from the adoption of FRS 110 are as follows:

	Group	
	\$'000	
	2014	2013
	Increase/ (Decrease)	Increase/ (Decrease)
<u>Balance sheet as at 1 January</u>		
Capital and other reserves	5	554
Treasury shares	(101,050)	(101,050)
Translation reserves	12,768	14,639
Retained profit	(6,335)	(10,335)
Non-controlling interests	258,185	266,844
Total Equity	163,573	170,652
<u>Balance sheet as at 31 December</u>		
Non-current Assets		
Fixed assets	-	328
Associates	-	(184,524)
Investment properties	-	383,700
Other assets	-	399
Current Assets		
Other investments	-	112
Development properties	-	42,756
Trade and other receivables	-	14,314
Cash and cash equivalents	-	15,480
Total Assets	-	272,565
Non-current Liabilities		
Loans and borrowings	-	101,728
Current Liabilities		
Trade and other payables	-	6,040
Loans and borrowings	-	1,257
Tax payable	-	(33)
Total Liabilities	-	108,992
Net Assets	-	163,573
<u>Income statement for the period ended 30 September</u>		
Revenue	-	1,925
Other income	-	23
Depreciation of fixed assets	-	22
Exchange loss, net	-	223
Gain from change in interests in associates	-	(7,958)
Gain on remeasurement of other investments	-	12
Other expenses	-	2,481
Finance expense	-	292
Share of results of associates, net of tax	-	(1,277)
Income tax expense	-	111
Non-controlling interests	-	648
Profit attributable to owners of the Company	-	(9,756)
Decrease in basic earnings per share (cents)	-	(0.94)
Decrease in diluted earnings per share (cents)	-	(0.94)

FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities.

As FRS 112 is primarily a disclosure standard, there will be no financial impact on the results and financial position of the Group and the Company upon adoption of this standard.

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 2014	3rd Quarter 2013 (Restated)
(0.10) cts	1.43 cts
(0.10) cts	1.43 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 for the period of approximately \$611,000 (2013 : profit of \$8,982,000) and the weighted average number of ordinary shares outstanding of 630,020,501 (2013 : 630,020,501) which excludes ordinary shares held by an investee.

There are no potential dilutive ordinary shares in existence as at 30 September 2014 and 30 September 2013.

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.

The Group		The Company	
30.09.2014	31.12.2013 (Restated)	30.09.2014	31.12.2013
234 cts	233 cts	29 cts	29 cts

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

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 decreased by approximately \$44.2 million due to no recognition of sales revenue from the residential units of Concourse Skyline for the current period.

In 2013, the Group's other income comprised mainly compensation income relating to the leases of its investment properties. The absence of such recognition in 2014 resulted in a decrease in the Group's other income for the current period.

The loss on remeasurement of other investments was due to the recorded bid price being lower in the current period as compared to the previous period.

With no recognition of profit from sales of Concourse Skyline, there is a decrease in income tax expense as compared to the previous period.

The Group recognised a loss of approximately \$0.95 million for the current period as compared to a profit of \$8.33 million in the previous period.

The increase in fixed assets was due mainly to the purchase of motor vehicles and furnishing items for the leasing of residential units.

The decrease in other assets was due mainly to the disposal of a club membership.

The decrease in other investments was due to the recorded bid price being lower than that as at 31 December 2013.

The decrease in development properties was due mainly to the receipt of Temporary Occupation Permit (TOP) for Concourse Skyline in March 2014.

The increase in trade and other receivables was due mainly to the recognition of the remaining 15% of sales consideration as accrued receivables upon receipt of TOP for Concourse Skyline. This increase was partially offset by the reclassification of progress payments made for the acquisition of 8 residential units to investment properties upon receipt of its TOP in March 2014.

The increase in cash and cash equivalents was due mainly from collection of progress payment upon receipt of TOP for Concourse Skyline.

The decrease in trade and other payables was due mainly to payment made to creditors and contractors.

The Group has reclassified certain of its secured loans from current liabilities in 2013 to non-current liabilities in 2014 as a result of the loans due in the third quarter of 2013 being refinanced in 2014.

The increase in tax payable was mainly due to the TOP for Concourse Skyline. This also explained for the absence of deferred tax liability as at 30 September 2014.

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 expects the office rental property market to remain good but the residential property market to remain sluggish.

In October 2014, the Group obtained Certificate of Statutory Completion for Concourse Skyline.

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.

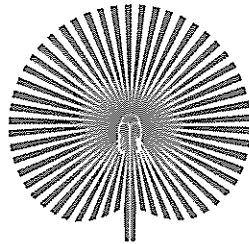
No dividend has been declared/recommendeded for the third quarter ended 30 September 2014.

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.

BY ORDER OF THE BOARD

Koh Chay Tiang
Dorothy Ho
Company Secretaries
14 November 2014



HONG FOK CORPORATION LIMITED

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

The Directors of Hong Fok Corporation Limited ("the Company") confirm that, to the best of our 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 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Cheong Sim Eng

Cheong Hooi Kheng

Singapore
14 November 2014