

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

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

First quarter financial statement on consolidated results for the period ended 31 March 2014.
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2014	1st Quarter 2013 (Restated)	Increase/ (Decrease)
Revenue (Note 1)	53,389	59,180	(10)
Other income (Note 2)	350	146	140
	53,739	59,326	(9)
Cost of sales of development properties	(30,329)	(34,968)	(13)
Depreciation of fixed assets	(59)	(87)	(32)
(Loss)/gain on remeasurement of other investments	(150)	100	NM
Impairment loss on trade and other receivables and bad debts written off, net	(6)	-	NM
Impairment loss on other assets	(35)	-	NM
Other expenses	(9,263)	(9,467)	(2)
	13,897	14,904	(7)
Finance expense	(4,727)	(3,600)	31
Profit before income tax (Note 3)	9,170	11,304	(19)
Income tax expense	(1,548)	(1,491)	4
Profit for the period	7,622	9,813	(22)
Profit attributable to:			
Owners of the Company	7,869	10,132	(22)
Non-controlling interests	(247)	(319)	(23)
Profit for the period	7,622	9,813	(22)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	(1,485)	4,810	NM
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(132)	392	NM
Net change in capital and other reserves	(3)	(554)	(99)
Other comprehensive income for the period, net of income tax	(1,620)	4,648	NM
Total comprehensive income for the period	6,002	14,461	(58)
Total comprehensive income attributable to:			
Owners of the Company	7,520	11,203	(33)
Non-controlling interests	(1,518)	3,258	NM
Total comprehensive income for the period	6,002	14,461	(58)

Notes:

- (1) Included in Revenue is investment income of approximately \$4,000 (2013 : \$3,000).
- (2) Included in Other income is net gain on disposal of fixed assets of approximately \$40,000 (2013 : net loss of \$1,000).
- (3) Included in Profit before income tax is net profit on sale of development properties of approximately \$9,015,000 (2013 : \$10,685,000).
- (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	
	31.03.2014	31.12.2013 (Restated)	31.03.2014	31.12.2013
Non-current Assets				
Fixed assets	1,021	624	-	-
Subsidiaries	-	-	393,459	431,625
Investment properties	2,112,863	2,096,825	-	-
Other assets	692	750	-	-
	2,114,576	2,098,199	393,459	431,625
Current Assets				
Other investments	1,251	1,402	-	-
Development properties	293,468	443,093	-	-
Trade and other receivables	68,868	19,122	31	7
Cash and cash equivalents	178,686	37,615	54,439	20,077
	542,273	501,232	54,470	20,084
Total Assets	2,656,849	2,599,431	447,929	451,709
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Reserves	1,290,765	1,282,087	41,022	42,131
	1,477,453	1,468,775	227,710	228,819
Non-controlling interests	254,955	258,185	-	-
Total Equity	1,732,408	1,726,960	227,710	228,819
Non-current Liabilities				
Trade and other payables	6,661	7,626	-	-
Loans and borrowings	380,484	327,144	217,882	217,755
Deferred tax liability	-	7,028	-	-
	387,145	341,798	217,882	217,755
Current Liabilities				
Trade and other payables	53,277	58,922	2,054	4,593
Loans and borrowings	473,361	469,575	-	-
Financial guarantees	-	-	283	542
Tax payable	10,658	2,176	-	-
	537,296	530,673	2,337	5,135
Total Liabilities	924,441	872,471	220,219	222,890
Total Equity and Liabilities	2,656,849	2,599,431	447,929	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 31.03.2014		As at 31.12.2013 (Restated)	
Secured	Unsecured	Secured	Unsecured
\$473,361,000	-	\$469,575,000	-

Amount repayable after one year

As at 31.03.2014		As at 31.12.2013 (Restated)	
Secured	Unsecured	Secured	Unsecured
\$162,602,000	\$217,882,000	\$109,389,000	\$217,755,000

Details of any collaterals

The Group will refinance the secured loans due in the third quarter of 2014 and legal documentation of the credit facility is in progress.

The borrowings by the subsidiaries are generally secured by the Group's 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 2014	1st Quarter 2013 (Restated)
Operating Activities		
Profit before income tax	9,170	11,304
Adjustments for:		
Amortisation of transaction cost of loans and borrowings	441	379
Depreciation of fixed assets	59	87
Loss/(Gain) on remeasurement of other investments	150	(100)
(Gain)/Loss on disposal of fixed assets, net	(40)	1
Loss on disposal of other assets	8	-
Impairment loss on trade and other receivables and bad debts written off, net	6	-
Impairment loss on other assets	35	-
Interest income	(45)	(35)
Interest expense	4,286	3,221
	14,070	14,857
Changes in working capital:		
Development properties	88,607	(15,096)
Trade and other receivables	(1,990)	2,557
Trade and other payables	(5,701)	(1,954)
Net Cash generated from operations	94,986	364
Income tax paid	(93)	(84)
Interest income received	59	32
Net Cash from Operating Activities	94,952	312
Investing Activities		
Capital expenditure on investment properties	(5,212)	(403)
Payment of development charge	-	(63,492)
Purchase of fixed assets	(513)	(167)
Purchase of other investments	-	(1,046)
Proceeds from disposal of fixed assets	95	-
Proceeds from disposal of other assets	13	-
Net Cash used in Investing Activities	(5,617)	(65,108)
Financing Activities		
Interest expense paid	(7,012)	(2,459)
Payment of finance lease rentals	-	(10)
Payment of transaction costs on loans and borrowings	-	(2,695)
Payment of acquisition of ownership interests in subsidiaries with no change in control	(554)	-
Repayment of loans and borrowings	(4,775)	(110,530)
Proceeds from loans and borrowings	64,157	222,456
Net Cash from Financing Activities	51,816	106,762
Net Increase in Cash and Cash Equivalents	141,151	41,966
Cash and cash equivalents at 1 January	37,615	90,862
Effect of exchange rate fluctuations	(80)	277
Cash and Cash Equivalents at 31 March	178,686	133,105
Cash and Cash Equivalents at 31 March is represented by:		
Cash at banks and in hand	178,686	67,205
Fixed deposits	-	65,900
Bank overdraft	-	-
	178,686	133,105

Included in cash and cash equivalents as at 31 March 2014 is an amount held under the Housing Developers (Project Account) Rules of approximately \$110,187,000 (2013 : \$67,014,000) 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 January 2013, as previously reported	186,688	2,371	-	(58,987)	1,074,691	1,204,763	-	1,204,763
Effect of adopting FRS 110	-	554	(101,050)	14,639	(10,335)	(96,192)	266,844	170,652
At 1 January 2013, as restated	186,688	2,925	(101,050)	(44,348)	1,064,356	1,108,571	266,844	1,375,415
Total comprehensive income for the period								
Profit for the period, restated	-	-	-	-	10,132	10,132	(319)	9,813
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	1,233	-	1,233	3,577	4,810
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	392	-	392	-	392
Net change in capital and other reserves	-	(554)	-	-	-	(554)	-	(554)
Total other comprehensive income	-	(554)	-	1,625	-	1,071	3,577	4,648
Total comprehensive income for the period, restated	-	(554)	-	1,625	10,132	11,203	3,258	14,461
At 31 March 2013, as restated	186,688	2,371	(101,050)	(42,723)	1,074,488	1,119,774	270,102	1,389,876
At 1 January 2014, as previously reported	186,688	3,209	-	(53,405)	1,426,895	1,563,387	-	1,563,387
Effect of adopting FRS 110	-	5	(101,050)	12,768	(6,335)	(94,612)	258,185	163,573
At 1 January 2014, as restated	186,688	3,214	(101,050)	(40,637)	1,420,560	1,468,775	258,185	1,726,960
Total comprehensive income for the period								
Profit for the period	-	-	-	-	7,869	7,869	(247)	7,622
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	(214)	-	(214)	(1,271)	(1,485)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(132)	-	(132)	-	(132)
Net change in capital and other reserves	-	(3)	-	-	-	(3)	-	(3)
Total other comprehensive income	-	(3)	-	(346)	-	(349)	(1,271)	(1,620)
Total comprehensive income for the period	-	(3)	-	(346)	7,869	7,520	(1,518)	6,002
Transactions with owners, recorded directly in equity								
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in a subsidiary	-	-	-	-	1,158	1,158	(1,712)	(554)
At 31 March 2014	186,688	3,211	(101,050)	(40,983)	1,429,587	1,477,453	254,955	1,732,408
The Company								
At 1 January 2013	186,688	-	-	-	43,101	229,789	-	229,789
Profit for the period - Total comprehensive income for the period	-	-	-	-	53	53	-	53
At 31 March 2013	186,688	-	-	-	43,154	229,842	-	229,842
At 1 January 2014	186,688	-	-	-	42,131	228,819	-	228,819
Loss for the period - Total comprehensive income for the period	-	-	-	-	(1,109)	(1,109)	-	(1,109)
At 31 March 2014	186,688	-	-	-	41,022	227,710	-	227,710

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	
31.03.2014	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 year 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 31 March</u>		
Revenue	-	1,923
Other income	-	25
Depreciation of fixed assets	-	32
Gain on remeasurement of other investments	-	(11)
Other expenses	-	2,221
Finance expenses	-	262
Share of results of associates, net of tax	-	350
Income tax expense	-	92
Non-controlling interests	-	319
Profit attributable to owners of the Company	-	(1)
Increase in basic earnings per share (cents)	-	0.33
Increase in diluted earnings per share (cents)	-	0.33

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	
1st Quarter 2014	1st Quarter 2013 (Restated)
1.25 cts	1.61 cts
1.25 cts	1.61 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 for the period of approximately \$7,869,000 (2013 : \$10,132,000) 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 31 March 2014 and 31 March 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	
31.03.2014	31.12.2013 (Restated)	31.03.2014	31.12.2013
235 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 \$5.8 million as compared to the previous period. This was due mainly to lower revenue recognised from the residential units of Concourse Skyline as the balance percentage recognised is lower than the percentage recognised during the first quarter of 2013.

The Group's other income increased due mainly to a gain on disposal of motor vehicle, higher interest income received and more credit received from certain government schemes, as compared to the first quarter of 2013.

With a lower recognition of sales revenue from the residential units of Concourse Skyline, the Group recorded a lower cost of sales of development properties.

The loss on remeasurement of other investments was due to the recorded bid price being lower compared to 31 December 2013.

The increase in finance expense was due to the increase in loans and borrowings.

The Group's profit for the period, therefore decreased by approximately \$2.2 million as compared to the previous period.

The increase in fixed assets was due mainly to the purchase of motor vehicles in the first quarter of 2014.

The increase in investment properties was due to the inclusion of eight residential units previously bought by its then associate (now a subsidiary under FRS 110), for which Temporary Occupation Permit (TOP) was obtained in the first quarter of 2014.

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

The decrease in development properties was due mainly to the receipt of 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 the first quarter of 2014.

The increase in cash and cash equivalents was due mainly from collection of progress payments upon receipt of TOP from Concourse Skyline and the monies drawdown from the development charge loan facility within its availability period that ended in March 2014.

Arising from the said drawdown of the development charge loan facility, there was an increase in loans and borrowings under non-current liabilities.

The increase in tax payable was mainly due to the TOP for Concourse Skyline. This also explained for the absence of deferred tax liability in the first quarter of 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 rental revenue from the office and residential units to remain stable.

The Group obtained Temporary Occupation Permit for Concourse Skyline on 3 March 2014 and has commenced to lease its retail and residential units.

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.

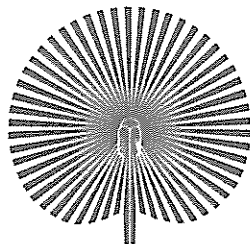
No dividend has been declared/recommendeded for the first quarter ended 31 March 2014.

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
15 May 2014



HONG FOK CORPORATION LIMITED

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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 First Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 31 March 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Cheong Sim Eng

Cheong Hooi Kheng

Singapore
15 May 2014