

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Third Quarter Financial Statement Announcement for the Period Ended 30 September 2015

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 2015.
These figures have not been audited.

	The Group		
	\$'000		%
	3rd Quarter 2015	3rd Quarter 2014	Increase/ (Decrease)
Revenue (Note 1)	14,434	14,645	(1)
Other income	234	142	65
	14,668	14,787	(1)
Depreciation of property, plant and equipment	(116)	(93)	25
Exchange gain/(loss), net	37	(1)	NM
Gain on disposal of subsidiary	81,922	-	NM
Impairment loss on other assets	-	(1)	NM
Impairment loss on trade and other receivables and bad debts written off, net	(35)	(9)	289
Loss on remeasurement of other assets	(4)	(162)	(98)
Other expenses	(10,053)	(9,930)	1
	86,419	4,591	1,782
Finance expense	(5,356)	(4,982)	8
	81,063	(391)	NM
Share of results of associate and joint venture, net of tax	#	-	NM
Profit/(Loss) before income tax	81,063	(391)	NM
Income tax expense	(509)	(563)	(10)
Profit/(Loss) for the period	80,554	(954)	NM
Profit/(Loss) attributable to:			
Owners of the Company	56,592	(373)	NM
Non-controlling interests	23,962	(581)	NM
Profit/(Loss) for the period	80,554	(954)	NM
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	21,663	6,846	216
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	2,258	737	206
Change in fair value of available-for-sale investments	-	20	NM
Realisation of reserves on disposal of subsidiary	2,146	-	NM
Other comprehensive income for the period, net of income tax	26,067	7,603	243
Total comprehensive income for the period	106,621	6,649	1,504
Total comprehensive income attributable to:			
Owners of the Company	65,947	1,702	3,775
Non-controlling interests	40,674	4,947	722
Total comprehensive income for the period	106,621	6,649	1,504

Amount less than \$1,000.

Notes:

- (1) Included in Revenue is investment income of approximately \$1,000 (2014 : \$6,000).
- (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	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Non-current Assets				
Property, plant and equipment	2,063	2,131	-	-
Subsidiaries	-	-	206,240	207,808
Associate and joint venture	#	#	-	-
Investment properties	2,249,207	2,193,456	-	-
Other assets	188	821	-	-
Pledged bank deposits	4,053	4,856	-	-
	2,255,511	2,201,264	206,240	207,808
Current Assets				
Other assets	498	1,282	-	-
Current tax assets	7	22	-	-
Development properties	249,632	292,332	-	-
Trade and other receivables	4,663	33,835	58	29
Amounts due from subsidiaries	-	-	256,007	253,730
Cash and cash equivalents	171,604	93,071	22,687	29,581
	426,404	420,542	278,752	283,340
Total Assets	2,681,915	2,621,806	484,992	491,148
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,292,048	1,235,928	55,642	59,619
	1,377,686	1,321,566	242,330	246,307
Non-controlling interests	491,654	476,260	-	-
Total Equity	1,869,340	1,797,826	242,330	246,307
Non-current Liabilities				
Loans and borrowings	739,295	661,910	218,642	218,262
Trade and other payables	5,158	4,387	-	-
Deferred tax liability	1,048	917	-	-
	745,501	667,214	218,642	218,262
Current Liabilities				
Loans and borrowings	5,907	77,508	-	-
Current tax liabilities	2,197	12,572	-	-
Trade and other payables	58,970	66,686	2,020	4,578
Amounts due to subsidiaries	-	-	22,000	22,001
	67,074	156,766	24,020	26,579
Total Liabilities	812,575	823,980	242,662	244,841
Total Equity and Liabilities	2,681,915	2,621,806	484,992	491,148

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 30.09.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$5,720,000	\$187,000	\$77,292,000	\$216,000

Amount repayable after one year

As at 30.09.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$520,653,000	\$218,642,000	\$443,648,000	\$218,262,000

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 2015	3rd Quarter 2014
Cash Flows from Operating Activities		
Profit/(loss) before income tax	81,063	(391)
Adjustments for:		
Share of results of associate and joint venture, net of tax	#	-
Amortisation of transaction cost of loans and borrowings	361	493
Depreciation of property, plant and equipment	116	93
Gain on disposal of subsidiary, net	(81,922)	-
Impairment loss on other assets	-	1
Impairment loss on trade and other receivables and bad debts written off, net	35	9
Loss on remeasurement of other assets	4	162
Loss on disposal of property, plant and equipment, net	3	-
Interest income	(185)	(66)
Interest expense	4,995	4,489
	4,470	4,790
Changes in working capital:		
Development properties	678	(149)
Trade and other receivables	8,463	(1,724)
Trade and other payables	1,292	(679)
Cash generated from operations	14,903	2,238
Income tax paid	(5,802)	(480)
Interest income received	188	64
Net Cash from Operating Activities	9,289	1,822
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(8,541)	(5,749)
Purchase of property, plant and equipment	(168)	(565)
Disposal of subsidiary, net of cash	102,312	-
Net Cash from/(used in) Investing Activities	93,603	(6,314)
Cash Flows from Financing Activities		
Increase in pledged bank deposits	(693)	(1,442)
Interest expense paid	(7,905)	(6,862)
Payment of transaction costs on loans and borrowings	-	(5,850)
Repayments of loans and borrowings	(45,785)	(429,411)
Proceeds from loans and borrowings	40,781	395,230
Net Cash used in Financing Activities	(13,602)	(48,335)
Net Increase/(Decrease) in Cash and Cash Equivalents	89,290	(52,827)
Cash and cash equivalents at 1 July	81,784	113,189
Effect of exchange rate fluctuations on cash held	530	364
Cash and Cash Equivalents at 30 September	171,604	60,726
Cash and Cash Equivalents at 30 September is represented by:		
Cash at banks and in hand	8,435	30,226
Fixed deposits	163,169	30,500
	171,604	60,726

Amount less than \$1,000.

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

Summary of Effect of Disposal of Subsidiary

	The Group
	\$'000
	3rd Quarter 2015
Property, plant and equipment	145
Other assets (non-current)	937
Other assets (current)	87
Development properties	44,862
Trade and other receivables	575
Cash and cash equivalents	5,452
Trade and other payables	(1,360)
Net assets disposed of	50,698
Gain on disposal of subsidiary, net	81,922
Direct expenses incurred	2,230
Realisation of reserves	2,146
Non-controlling interests	(29,232)
Sale consideration	107,764
Cash and cash equivalents disposed of	(5,452)
Disposal of subsidiary, net of cash	102,312

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 2014	186,688	3,201	(101,050)	(44,218)	1,238,632	1,283,253	462,422	1,745,675
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(373)	(373)	(581)	(954)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	1,321	-	1,321	5,525	6,846
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	737	-	737	-	737
Change in fair value of available-for-sale investments	-	17	-	-	-	17	3	20
Total other comprehensive income	-	17	-	2,058	-	2,075	5,528	7,603
Total comprehensive income for the period	-	17	-	2,058	(373)	1,702	4,947	6,649
At 30 September 2014	186,688	3,218	(101,050)	(42,160)	1,238,259	1,284,955	467,369	1,752,324
At 1 July 2015	186,688	3,464	(101,050)	(36,579)	1,259,216	1,311,739	480,212	1,791,951
Total comprehensive income for the period								
Profit for the period	-	-	-	-	56,592	56,592	23,962	80,554
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	46	-	4,905	-	4,951	16,712	21,663
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	2,258	-	2,258	-	2,258
Realisation of reserves on disposal of subsidiary	-	(1,139)	-	3,285	-	2,146	-	2,146
Total other comprehensive income	-	(1,093)	-	10,448	-	9,355	16,712	26,067
Total comprehensive income for the period	-	(1,093)	-	10,448	56,592	65,947	40,674	106,621
Transaction with Owners, recognised directly in equity								
Changes in ownership interests in subsidiaries								
Disposal of subsidiary	-	-	-	-	-	-	(29,232)	(29,232)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(29,232)	(29,232)
Total transactions with Owners	-	-	-	-	-	-	(29,232)	(29,232)
At 30 September 2015	186,688	2,371	(101,050)	(26,131)	1,315,808	1,377,686	491,654	1,869,340
The Company								
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
At 1 July 2015	186,688	-	-	-	54,508	241,196	-	241,196
Profit for the period - Total comprehensive income for the period	-	-	-	-	1,134	1,134	-	1,134
At 30 September 2015	186,688	-	-	-	55,642	242,330	-	242,330

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.**

The Company	
30.09.2015	31.12.2014
791,465,621	791,465,621

Total number of issued shares excluding treasury shares

- 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.**

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 2014.

- 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 2015	3rd Quarter 2014
8.98 cts	(0.06) cts
8.98 cts	(0.06) 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 \$56,592,000 (2014 : loss of \$373,000) and the weighted average number of ordinary shares outstanding of 630,020,501 (2014 : 630,020,501) which excludes ordinary shares held by an investee.

There are no potential dilutive ordinary shares in existence as at 30 September 2015 and 30 September 2014.

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	
30.09.2015	31.12.2014	30.09.2015	31.12.2014
219 cts	210 cts	31 cts	31 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.

There was no significant change in the Group's revenue for the current period as compared to the previous period. There was an increase in contribution from the leasing of the residential units of Concourse Skyline. However, the Group's rental income from the office units decreased due to lower occupancy rate in this period.

The increase in other income was mainly interest income from cash and cash equivalents.

In the current period, the Group disposed of its shares in Winfoong International Limited ("WIL") resulting in a net gain on disposal of approximately \$81.9 million. With this significant gain, the Group recorded a profit of approximately \$80.6 million as compared to a loss of approximately \$1.0 million in the previous period. Consequently, the Group's profit attributable to owners of the Company was approximately \$56.6 million as compared to a loss of approximately \$0.4 million in the previous period.

The decrease in other assets (non-current) was mainly due to those relating to the WIL Group which was disposed.

The decrease in other assets (current) was mainly due to the disposal of short-term investments in the first quarter of 2015.

The decrease in development properties was mainly due to the property owned by WIL Group which was disposed.

The decrease in trade and other receivables was mainly due to the release of the 5% sales monies of the residential units of Concourse Skyline by the Singapore Academy of Law upon expiration of the defects liability period of Concourse Skyline in March 2015.

The net proceeds from the Group's disposal of its shares in WIL in September 2015 contributed to an increase in cash and cash equivalents although this increase was partially offset by the payment of dividend to shareholders in May 2015.

The Group had reclassified certain secured loans in Hong Kong from current liabilities in 2014 to non-current liabilities in 2015 as a result of the loans being refinanced.

The decrease in current tax liabilities was due mainly to the payment of income tax during the nine months ended 30 September 2015.

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. Sales of residential units is likely to remain sluggish.

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/recommended for the third quarter ended 30 September 2015.
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 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 2015 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 is in the process of procuring the undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Koh Chay Tiang
Lo Swee Oi
Company Secretaries
13 November 2015