

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

First Quarter Financial Statement Announcement for the Period Ended 31 March 2019**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 2019.
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2019	1st Quarter 2018	Increase/ (Decrease)
Revenue (Note 1)	27,190	17,740	53
Other income	43	41	5
	27,233	17,781	53
Commitment fee on unutilised bank facilities	(406)	(383)	6
Cost of sales of development properties	(4,889)	-	NM
Depreciation of property, plant and equipment	(166)	(125)	33
Depreciation of right-of-use asset	(235)	-	NM
Employee benefit expenses	(4,576)	(4,614)	(1)
Exchange (loss)/gain, net	(119)	93	NM
Loss on disposal of investment properties	(18)	-	NM
Changes in fair value of other investments at fair value through profit or loss	2,411	15	15,973
Impairment loss on trade receivables, net	(37)	-	NM
Impairment loss written back on other assets	1	34	(97)
Maintenance expenses	(2,441)	(1,992)	23
Operating lease expenses	(72)	(280)	(74)
Property tax	(1,557)	(1,627)	(4)
Rental commission	(264)	(172)	53
Other expenses	(1,061)	(1,164)	(9)
	13,804	7,566	82
Finance income	294	155	90
Finance expense	(7,672)	(6,274)	22
Net finance expense	(7,378)	(6,119)	21
Profit before tax (Note 2)	6,426	1,447	344
Tax expense	(1,293)	(885)	46
Profit for the period	5,133	562	813
Profit attributable to:			
Owners of the Company	5,458	1,483	268
Non-controlling interests	(325)	(921)	(65)
Profit for the period	5,133	562	813
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	(4,553)	(9,575)	(52)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(236)	(618)	(62)
Other comprehensive income for the period, net of tax	(4,789)	(10,193)	(53)
Total comprehensive income for the period	344	(9,631)	NM
Total comprehensive income attributable to:			
Owners of the Company	3,644	(2,330)	NM
Non-controlling interests	(3,300)	(7,301)	(55)
Total comprehensive income for the period	344	(9,631)	NM

Notes:

- (1) Included in Revenue is investment income of approximately \$1,000 (2018 : \$6,000).
- (2) Included in Profit before tax is net profit on sale of development properties of approximately \$2,458,000 (2018 : \$Nil) and loss on disposal of property, plant and equipment of approximately \$68,000 (2018 : \$Nil).
- (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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Non-current Assets				
Property, plant and equipment	3,153	2,879	-	-
Right-of-use asset	2,039	-	-	-
Subsidiaries	-	-	855,260	855,260
Associate and joint venture	#	#	-	-
Investment properties	3,088,001	3,091,745	-	-
Other assets	218	217	-	-
Other investments	700	700	-	-
Pledged bank deposits	8,508	9,303	-	-
Deferred tax assets	1,059	1,079	-	-
	3,103,678	3,105,923	855,260	855,260
Current Assets				
Other investments	26,884	17,973	-	-
Current tax assets	134	215	-	-
Development properties	194,298	198,941	-	-
Trade and other receivables	5,302	4,945	37	29
Amounts due from subsidiaries	-	-	355,595	385,220
Cash and cash equivalents	44,843	50,229	2,832	888
	271,461	272,303	358,464	386,137
Non-current asset held for sale	-	1,720	-	-
	271,461	274,023	358,464	386,137
Total Assets	3,375,139	3,379,946	1,213,724	1,241,397
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(107,007)	(101,050)	(5,957)	-
Reserves	1,813,714	1,810,076	668,732	669,191
	1,893,395	1,895,714	849,463	855,879
Non-controlling interests	629,444	632,751	-	-
Total Equity	2,522,839	2,528,465	849,463	855,879
Non-current Liabilities				
Loans and borrowings	786,678	653,991	99,099	-
Trade and other payables	11,666	11,755	-	-
Lease liabilities	1,122	-	-	-
Deferred tax liabilities	401	408	-	-
	799,867	666,154	99,099	-
Current Liabilities				
Loans and borrowings	1,140	122,628	-	119,964
Trade and other payables	39,777	53,316	1,650	2,741
Lease liabilities	935	-	-	-
Contract liabilities	23	27	-	-
Amounts due to subsidiaries	-	-	263,512	262,813
Current tax liabilities	10,558	9,356	-	-
	52,433	185,327	265,162	385,518
Total Liabilities	852,300	851,481	364,261	385,518
Total Equity and Liabilities	3,375,139	3,379,946	1,213,724	1,241,397

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 31.03.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$1,140,000	-	\$2,664,000	\$119,964,000

Amount repayable after one year

As at 31.03.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$650,441,000	\$136,237,000	\$617,193,000	\$36,798,000

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	
	1st Quarter 2019	1st Quarter 2018
Cash Flows from Operating Activities		
Profit before tax	6,426	1,447
Adjustments for:		
Depreciation of property, plant and equipment	166	125
Depreciation of right-of-use asset	235	-
Gain on disposal of other investments	-	(6)
Loss on disposal of investment properties	18	-
Loss on disposal of property, plant and equipment	68	-
Impairment loss on trade receivables, net	37	-
Impairment loss written back on other assets	(1)	(34)
Changes in fair value of other investments at fair value through profit or loss	(2,411)	(15)
Finance income	(294)	(155)
Finance expense	7,672	6,274
	11,916	7,636
Changes in working capital:		
Development properties	4,643	-
Trade and other receivables	(207)	445
Trade and other payables	(11,440)	(8,840)
Contract liabilities	(4)	(76)
Cash generated from/(used in) operations	4,908	(835)
Tax paid	(4)	(16)
Net Cash from/(used in) Operating Activities	4,904	(851)
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(1,137)	(3,253)
Decrease/(Increase) in restricted cash	121	(74)
Proceeds from disposal of investment properties	1,702	-
Proceeds from disposal of property, plant and equipment	182	-
Proceeds from disposal of other investments	4,815	1,367
Purchase of property, plant and equipment	(700)	(746)
Purchase of other investments	(11,497)	-
Interest received	267	185
Net Cash used in Investing Activities	(6,247)	(2,521)
Cash Flows from Financing Activities		
Decrease/(Increase) in pledged bank deposits	741	(349)
Interest paid	(8,583)	(9,779)
Payment of lease liabilities and finance lease liabilities	(234)	(5)
Payment of transaction costs on loans and borrowings	(865)	(180)
Repayments of loans and borrowings	(126,693)	(173,636)
Proceeds from loans and borrowings	138,000	197,650
Purchase of treasury shares	(5,957)	-
Net Cash (used in)/from Financing Activities	(3,591)	13,701
Net (Decrease)/Increase in Cash and Cash Equivalents	(4,934)	10,329
Cash and cash equivalents at beginning of the period	50,058	50,625
Effect of exchange rate fluctuations on cash held	(331)	(1,079)
Cash and Cash Equivalents at end of the period	44,793	59,875
Cash and Cash Equivalents at 31 March is represented by:		
Cash at banks and in hand	12,326	19,090
Deposits	41,025	48,667
Cash and cash equivalents	53,351	67,757
Less: Pledged bank deposits (non-current)	(8,508)	(7,797)
	44,843	59,960
Less: Restricted cash	(50)	(85)
	44,793	59,875

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 2018	186,688	2,470	(101,050)	(14,439)	1,636,724	1,710,393	539,373	2,249,766
Total comprehensive income for the period								
Profit/(Loss) for the period	-	-	-	-	1,483	1,483	(921)	562
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(4)	-	(3,191)	-	(3,195)	(6,380)	(9,575)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(618)	-	(618)	-	(618)
Total other comprehensive income, net of tax	-	(4)	-	(3,809)	-	(3,813)	(6,380)	(10,193)
Total comprehensive income for the period	-	(4)	-	(3,809)	1,483	(2,330)	(7,301)	(9,631)
At 31 March 2018	186,688	2,466	(101,050)	(18,248)	1,638,207	1,708,063	532,072	2,240,135
At 1 January 2019, as previously reported	186,688	2,284	(101,050)	(10,923)	1,818,715	1,895,714	632,751	2,528,465
Effect of adopting SFRS(I) 16	-	-	-	-	(6)	(6)	(7)	(13)
At 1 January 2019, as restated	186,688	2,284	(101,050)	(10,923)	1,818,709	1,895,708	632,744	2,528,452
Total comprehensive income for the period								
Profit/(Loss) for the period	-	-	-	-	5,458	5,458	(325)	5,133
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	(1,578)	-	(1,578)	(2,975)	(4,553)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(236)	-	(236)	-	(236)
Total other comprehensive income, net of tax	-	-	-	(1,814)	-	(1,814)	(2,975)	(4,789)
Total comprehensive income for the period	-	-	-	(1,814)	5,458	3,644	(3,300)	344
Transactions with Owners, recorded directly in Equity								
Distributions to Owners								
Own shares acquired	-	-	(5,957)	-	-	(5,957)	-	(5,957)
Total transactions with Owners	-	-	(5,957)	-	-	(5,957)	-	(5,957)
At 31 March 2019	186,688	2,284	(107,007)	(12,737)	1,824,167	1,893,395	629,444	2,522,839
The Company								
At 1 January 2018	186,688	-	-	-	678,654	865,342	-	865,342
Loss and total comprehensive income for the period	-	-	-	-	(886)	(886)	-	(886)
At 31 March 2018	186,688	-	-	-	677,768	864,456	-	864,456
At 1 January 2019	186,688	-	-	-	669,191	855,879	-	855,879
Loss and total comprehensive income for the period	-	-	-	-	(459)	(459)	-	(459)
Transactions with Owners, recorded directly in Equity								
Distributions to Owners								
Own shares acquired	-	-	(5,957)	-	-	(5,957)	-	(5,957)
Total transactions with Owners	-	-	(5,957)	-	-	(5,957)	-	(5,957)
At 31 March 2019	186,688	-	(5,957)	-	668,732	849,463	-	849,463

- 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.**

Total number of issued shares
 Less: Number of treasury shares
 Total number of issued shares excluding treasury shares

The Company	
31.03.2019	31.12.2018
870,612,140	870,612,140
(6,698,500)	-
863,913,640	870,612,140

As at 31 March 2019, the number of treasury shares of the Company was 6,698,500 (31 March 2018 : Nil).

The Company did not have any subsidiary holdings, outstanding options and convertibles as at 31 March 2019 and 31 December 2018.

- 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	
31.03.2019	31.12.2018
863,913,640	870,612,140

- 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.**

At 1 January 2019
 Own shares acquired
 At 31 March 2019

The Company	
No of Shares	
	-
	6,698,500
	6,698,500

- 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.**

Except as disclosed in paragraph 5, 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 2018.

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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018, except for SFRS(I) 16 Leases which is applicable for the financial period beginning 1 January 2019.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has applied SFRS(I) 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

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.

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 Group	
1st Quarter 2019	1st Quarter 2018
0.79 cts	0.21 cts
0.79 cts	0.21 cts

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 \$5,458,000 (2018 : \$1,483,000) and the weighted average number of ordinary shares outstanding of 692,142,165 (2018 : 693,022,508) which excludes treasury shares held by the Company and also ordinary shares held by an investee.

There are no potential dilutive ordinary shares in existence as at 31 March 2019 and 31 March 2018.

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

Number of shares

The Group		The Company	
31.03.2019	31.12.2018	31.03.2019	31.12.2018
276 cts	274 cts	98 cts	98cts
686,324,008	693,022,508	863,913,640	870,612,140

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 posted a revenue of approximately \$27.2 million for this period as compared to \$17.7 million in the previous corresponding period. The increase was mainly due to the recognition of revenue from the sales of its development properties in Singapore and higher rental income from its investment properties including YOTEL Singapore Orchard Road ("YOTEL").

With the recognition of sales revenue from its development properties in Singapore, the Group recorded the corresponding amount of cost of sales of these units.

The depreciation of property, plant and equipment in this period was higher than the previous corresponding period due to additional capital expenditure in 2018.

The depreciation of right-of-use asset in this period was a result of the adoption of SFRS(I) 16 effective 1 January 2019.

The net exchange loss for this period was mainly due to the strengthening of the Singapore dollar for investments in securities denominated in United States dollar and Hong Kong dollar.

The changes in fair value of other investments at fair value through profit or loss was mainly due to valuation of its investments at fair value as at 31 March 2019.

The increase in maintenance expenses was mainly due to ad hoc maintenance works to its investment properties.

The decrease in operating lease expenses in this period was due to the Group recognising its existing operating lease arrangements as right-of-use asset with corresponding lease liability under SFRS(I) 16.

There was an increase in rental commission as compared to the previous corresponding period due to new tenants for its investment properties introduced by real estate agents.

The increase in finance income was contributed mainly by higher interest income from its cash and cash equivalents and other investments.

The increase in finance expense for this period was mainly due to higher interest rates and higher amortisation of imputed interest on unsecured bonds as compared to the previous corresponding period.

The increase in tax expense in this period was mainly due to profit contributions from companies in a tax-paying status.

Hence, the Group posted a profit of approximately \$5.1 million as compared to \$0.6 million in the previous corresponding period.

The Group's profit attributable to Owners of the Company was approximately \$5.5 million as compared to \$1.5 million in the previous corresponding period.

The right-of-use asset was mainly related to lease of the office units occupied by the Group in Hong Kong.

The increase in other investments was mainly due to purchase of shares and bonds and valuation of its other investments at fair value as at 31 March 2019.

The non-current asset held for sale in 2018 was disposed off in February 2019.

The lease liabilities as at 31 March 2019 were due to the adoption of SFRS(I) 16 with effect from 1 January 2019.

The Group increased its non-current loans and borrowings due to drawdown of its secured loans to redeem its \$120 million 4.75% unsecured fixed rate notes on its due date, 22 March 2019 and for its purchase of other investments. Subsequently, on 28 March 2019, the Company issued \$100 million 4.2% unsecured fixed rate notes from its \$600 million Multicurrency Debt Issuance Programme to partially repay these secured loans.

The decrease in loans and borrowings under current liabilities was mainly due to the redemption of its \$120 million unsecured fixed rate notes on its due date.

The decrease in trade and other payables was mainly due to the payments of accrued development costs, employee benefit expenses and finance expense.

The increase in current tax liabilities was mainly due to provision of tax for this period.

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 consists of rental income from its investment and development properties and YOTEL is expected to make a positive contribution.

The Group is expected to recognise sales of some of the residential units of Concourse Skyline in the course of 2019.

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 and the reason(s) for the decision.**
No dividend has been declared/recommended for the first quarter ended 31 March 2019.
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 First Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 31 March 2019 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 out 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 May 2019