

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Second Quarter Financial Statement Announcement for the Period Ended 30 June 2016

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 2016.
These figures have not been audited.

	The Group		
	\$'000		%
	2nd Quarter 2016	2nd Quarter 2015	Increase/ (Decrease)
Revenue	14,032	15,320	(8)
Other income	261	291	(10)
	14,293	15,611	(8)
Depreciation of property, plant and equipment	(124)	(125)	(1)
Exchange gain, net	42	30	40
Changes in fair value of held for trading equity securities	33	(41)	NM
Impairment loss on other assets	-	(25)	NM
Impairment loss on trade and other receivables and bad debts written off, net	(14)	(122)	(89)
Other expenses	(9,968)	(10,231)	(3)
	4,262	5,097	(16)
Finance expense	(5,525)	(5,213)	6
	(1,263)	(116)	989
Share of results of associate and joint venture, net of tax	#	#	NM
Loss before tax	(1,263)	(116)	989
Tax expense	(660)	(714)	(8)
Loss for the period	(1,923)	(830)	132
Loss attributable to:			
Owners of the Company	(562)	(109)	416
Non-controlling interests	(1,361)	(721)	89
Loss for the period	(1,923)	(830)	132
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	(250)	(7,863)	(97)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(16)	(842)	(98)
Changes in fair value of available-for-sale unquoted equity securities	-	233	NM
Other comprehensive income for the period, net of tax	(266)	(8,472)	(97)
Total comprehensive income for the period	(2,189)	(9,302)	(76)
Total comprehensive income attributable to:			
Owners of the Company	(663)	(2,368)	(72)
Non-controlling interests	(1,526)	(6,934)	(78)
Total comprehensive income for the period	(2,189)	(9,302)	(76)

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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Non-current Assets				
Property, plant and equipment	2,262	2,424	-	-
Subsidiaries	-	-	233,106	233,106
Associate and joint venture	#	#	-	-
Investment properties	2,391,627	2,390,839	-	-
Other assets	182	185	-	-
Pledged bank deposits	5,234	4,196	-	-
	2,399,305	2,397,644	233,106	233,106
Current Assets				
Other assets	291	559	-	-
Current tax assets	296	342	-	-
Development properties	246,611	246,611	-	-
Trade and other receivables	3,970	3,726	74	39
Amounts due from subsidiaries	-	-	264,041	249,736
Cash and cash equivalents	159,054	163,759	7,169	33,294
	410,222	414,997	271,284	283,069
Total Assets	2,809,527	2,812,641	504,390	516,175
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,382,855	1,398,069	72,175	83,881
	1,468,493	1,483,707	258,863	270,569
Non-controlling interests	485,194	500,987	-	-
Total Equity	1,953,687	1,984,694	258,863	270,569
Non-current Liabilities				
Loans and borrowings	776,475	738,205	219,023	218,769
Trade and other payables	12,487	12,844	-	-
Deferred tax liabilities	1,047	1,039	-	-
	790,009	752,088	219,023	218,769
Current Liabilities				
Loans and borrowings	5,505	5,798	-	-
Trade and other payables	58,014	68,270	4,506	4,838
Amounts due to subsidiaries	-	-	21,998	21,999
Current tax liabilities	2,312	1,791	-	-
	65,831	75,859	26,504	26,837
Total Liabilities	855,840	827,947	245,527	245,606
Total Equity and Liabilities	2,809,527	2,812,641	504,390	516,175

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 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$5,372,000	\$133,000	\$5,627,000	\$171,000

Amount repayable after one year

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$516,412,000	\$260,063,000	\$519,436,000	\$218,769,000

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 2016	2nd Quarter 2015
Cash Flows from Operating Activities		
Loss before tax	(1,263)	(116)
Adjustments for:		
Share of results of associate and joint venture, net of tax	#	#
Amortisation of transaction cost of loans and borrowings	363	360
Depreciation of property, plant and equipment	124	125
Changes in fair value of held for trading equity securities	(33)	41
Impairment loss on other assets	-	25
Impairment loss on trade and other receivables and bad debts written off, net	14	122
Loss on disposal of other assets	42	-
Loss on disposal of property, plant and equipment	2	-
Interest income	(208)	(213)
Interest expense	5,162	4,853
	4,203	5,197
Changes in working capital:		
Development properties	-	(235)
Trade and other receivables	(422)	1,109
Trade and other payables	(1,244)	240
Cash generated from operations	2,537	6,311
Interest income received	239	161
Tax paid	(757)	(6,129)
Tax refund	21	-
Net Cash from Operating Activities	2,040	343
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(10,302)	(9,511)
Purchase of property, plant and equipment	(71)	(72)
Proceeds from disposal of other assets	16	-
Net Cash used in Investing Activities	(10,357)	(9,583)
Cash Flows from Financing Activities		
Increase in pledged bank deposits	(546)	(352)
Dividend paid	(6,930)	(12,601)
Interest expense paid	(3,014)	(2,491)
Payment of finance lease liabilities	(8)	-
Repayments of loans and borrowings	(135)	(1,349)
Proceeds from loans and borrowings	14,608	1,301
Net Cash from/(used in) Financing Activities	3,975	(15,492)
Net Decrease in Cash and Cash Equivalents	(4,342)	(24,732)
Cash and cash equivalents at 1 April	163,462	106,664
Effect of exchange rate fluctuations on cash held	(66)	(148)
Cash and Cash Equivalents at 30 June	159,054	81,784
Cash and Cash Equivalents at 30 June is represented by:		
Cash at banks and in hand	4,343	22,695
Deposits	159,945	62,429
Cash and cash equivalents	164,288	85,124
Less: Pledged bank deposits (non-current)	(5,234)	(3,340)
	159,054	81,784

Amount less than \$1,000

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 April 2015	186,688	3,367	(101,050)	(34,223)	1,271,926	1,326,708	487,146	1,813,854
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(109)	(109)	(721)	(830)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(17)	-	(1,514)	-	(1,531)	(6,332)	(7,863)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(842)	-	(842)	-	(842)
Changes in fair value of available-for-sale unquoted equity securities	-	114	-	-	-	114	119	233
Total other comprehensive income, net of tax	-	97	-	(2,356)	-	(2,259)	(6,213)	(8,472)
Total comprehensive income for the period	-	97	-	(2,356)	(109)	(2,368)	(6,934)	(9,302)
Transactions with Owners, recorded directly in equity								
Distributions to Owners								
Dividend paid	-	-	-	-	(12,601)	(12,601)	-	(12,601)
Total distributions to Owners	-	-	-	-	(12,601)	(12,601)	-	(12,601)
Total transactions with Owners	-	-	-	-	(12,601)	(12,601)	-	(12,601)
At 30 June 2015	186,688	3,464	(101,050)	(36,579)	1,259,216	1,311,739	480,212	1,791,951
At 1 April 2016	186,688	2,371	(101,050)	(38,279)	1,426,356	1,476,086	486,720	1,962,806
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(562)	(562)	(1,361)	(1,923)
Other comprehensive income								
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)
Total comprehensive income for the period	-	-	-	(101)	(562)	(663)	(1,526)	(2,189)
Transactions with Owners, recorded directly in equity								
Distributions to Owners								
Dividend paid	-	-	-	-	(6,930)	(6,930)	-	(6,930)
Total distributions to Owners	-	-	-	-	(6,930)	(6,930)	-	(6,930)
Total transactions with Owners	-	-	-	-	(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
The Company								
At 1 April 2015	186,688	-	-	-	85,114	271,802	-	271,802
Loss and total comprehensive income for the period	-	-	-	-	(14,777)	(14,777)	-	(14,777)
Transactions with Owners, recorded directly in equity								
Distributions to Owners								
Dividend paid	-	-	-	-	(15,829)	(15,829)	-	(15,829)
Total Transactions with Owners	-	-	-	-	(15,829)	(15,829)	-	(15,829)
At 30 June 2015	186,688	-	-	-	54,508	241,196	-	241,196
At 1 April 2016	186,688	-	-	-	81,793	268,481	-	268,481
Loss and total comprehensive income for the period	-	-	-	-	(912)	(912)	-	(912)
Transactions with Owners, recorded directly in equity								
Distributions to Owners								
Dividend paid	-	-	-	-	(8,706)	(8,706)	-	(8,706)
Total Transactions with Owners	-	-	-	-	(8,706)	(8,706)	-	(8,706)
At 30 June 2016	186,688	-	-	-	72,175	258,863	-	258,863

- 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.

During the period, following the allotment and issue of the bonus shares, the aggregate number of issued ordinary shares increased from 791,465,621 to 870,612,140.

- 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	
30.06.2016	31.12.2015
870,612,140	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 2015.

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 2016	2nd Quarter 2015
(0.08) cts	(0.02) cts
(0.08) cts	(0.02) 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 attributable to ordinary shareholders for the period of approximately \$562,000 (2015 : \$109,000) and the weighted average number of ordinary shares outstanding of 693,022,508 (2015 : 693,022,508) which excludes ordinary shares held by an investee.

For comparative purposes, the number of ordinary shares as at 30 June 2015 was adjusted to include the issue of one bonus share for every ten existing ordinary shares held for the calculation of basic and diluted earnings per share.

There are no potential dilutive ordinary shares in existence as at 30 June 2016 and 30 June 2015.

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	
30.06.2016	31.12.2015	30.06.2016	31.12.2015
212 cts	214 cts	30 cts	31 cts

For comparative purposes, the number of ordinary shares as at 31 December 2015 was adjusted to include the issue of one bonus share for every ten existing ordinary shares held for the calculation of the net asset value per ordinary share.

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 from approximately \$15.3 million to \$14.0 million. This was mainly due to the decrease in property management income and decrease in rental income from its investment properties, of which a property in Hong Kong is undergoing renovation works. The Group's disposal of its shares in Winfoong International Limited in September 2015 also resulted in a reduction of revenue and other income for the Group in this quarter as compared to the second quarter of 2015.

Hence, the Group recorded a loss of approximately \$1.9 million as compared to a loss of approximately \$0.8 million in the previous corresponding period. The Group's loss attributable to owners of the Company was approximately \$0.6 million as compared to approximately \$0.1 million in the previous corresponding period.

The increase in pledged bank deposits was mainly due to the monies collected from the rental of its investment properties in Hong Kong.

The decrease in other assets (current) was mainly due to the disposal of and lower bid price of the equity securities held for trading.

The increase in loans and borrowings (non-current) was mainly due to the issuance of its 2.75% unsecured bonds by a subsidiary in Hong Kong to third parties in March and April 2016.

The decrease in trade and other payables was mainly due to payment of employee benefit expenses accrued as at 31 December 2015.

The increase in current tax liabilities was due mainly to the provision of tax expense during the 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 will mainly be rental income from of its investment and development properties. Sale of residential units will continue to be 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 second quarter ended 30 June 2016.
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 2016 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

Koh Chay Tiang
Lo Swee Oi
Company Secretaries
12 August 2016