

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Third Quarter Financial Statement Announcement for the Period Ended 30 September 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.**

Third quarter financial statement on consolidated results for the period ended 30 September 2019.
These figures have not been audited.

	The Group		
	\$'000		%
	3rd Quarter 2019	3rd Quarter 2018	Increase/ (Decrease)
Revenue (Note 1)	41,368	48,762	(15)
Other income	30	194	(85)
	41,398	48,956	(15)
Commitment fee on unutilised bank facilities	(395)	(417)	(5)
Cost of sales of properties	(13,932)	(14,745)	(6)
Depreciation of property, plant and equipment	(226)	(175)	29
Depreciation of right-of-use asset	(240)	-	NM
Employee benefit expenses	(4,552)	(4,496)	1
Exchange gain, net	334	68	391
Changes in fair value of other investments at fair value through profit or loss	(1,842)	(2,738)	(33)
Impairment loss write back on trade receivables, net	71	22	223
Impairment loss write back on other assets	-	5	NM
Maintenance expenses	(2,483)	(2,029)	22
Operating lease expenses	(71)	(317)	(78)
Property tax	(1,663)	(1,584)	5
Rental commission	(287)	(243)	18
Other expenses	(961)	(789)	22
	15,151	21,518	(30)
Finance income	255	447	(43)
Finance expense	(7,722)	(7,019)	10
Net finance expense	(7,467)	(6,572)	14
Profit before tax (Note 2)	7,684	14,946	(49)
Tax expense	(2,087)	(2,870)	(27)
Profit for the period	5,597	12,076	(54)
Profit/(Loss) attributable to:			
Owners of the Company	5,843	11,477	(49)
Non-controlling interests	(246)	599	NM
Profit for the period	5,597	12,076	(54)
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	9,041	2,432	272
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	487	154	216
Other comprehensive income for the period, net of tax	9,528	2,586	268
Total comprehensive income for the period	15,125	14,662	3
Total comprehensive income attributable to:			
Owners of the Company	9,594	12,446	(23)
Non-controlling interests	5,531	2,216	150
Total comprehensive income for the period	15,125	14,662	3

Notes:

- (1) Included in Revenue is investment income of approximately \$85,000 (2018 : \$30,000).
- (2) Included in Profit before tax is net profit on sale of properties of approximately \$5,893,000 (2018 : \$14,418,000) and net gain on disposal of property, plant and equipment of approximately \$2,000 (2018 : net loss of \$56,000).
- (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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Non-current Assets				
Property, plant and equipment	3,311	2,879	-	-
Right-of-use asset	1,602	-	-	-
Subsidiaries	-	-	855,260	855,260
Associate and joint venture	#	#	-	-
Investment properties	3,100,729	3,091,745	-	-
Other assets	215	217	-	-
Other investments	661	700	-	-
Trade and other receivables	15	-	-	-
Pledged bank deposits	8,566	9,303	-	-
Deferred tax assets	1,029	1,079	-	-
	3,116,128	3,105,923	855,260	855,260
Current Assets				
Other investments	27,140	17,973	-	-
Current tax assets	453	215	-	-
Development properties	182,558	198,941	-	-
Trade and other receivables	4,291	4,945	57	29
Amounts due from subsidiaries	-	-	347,615	385,220
Cash and cash equivalents	46,828	50,229	1,143	888
	261,270	272,303	348,815	386,137
Non-current asset held for sale	-	1,720	-	-
	261,270	274,023	348,815	386,137
Total Assets	3,377,398	3,379,946	1,204,075	1,241,397
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(111,183)	(101,050)	(10,133)	-
Reserves	1,822,617	1,810,076	657,274	669,191
	1,898,122	1,895,714	833,829	855,879
Non-controlling interests	625,046	632,751	-	-
Total Equity	2,523,168	2,528,465	833,829	855,879
Non-current Liabilities				
Loans and borrowings	787,825	653,991	99,249	-
Trade and other payables	11,405	11,755	-	-
Lease liabilities	659	-	-	-
Deferred tax liabilities	369	408	-	-
	800,258	666,154	99,249	-
Current Liabilities				
Loans and borrowings	2,205	122,628	-	119,964
Trade and other payables	42,449	53,316	1,285	2,741
Lease liabilities	966	-	-	-
Contract liabilities	59	27	-	-
Amounts due to subsidiaries	-	-	269,712	262,813
Current tax liabilities	8,293	9,356	-	-
	53,972	185,327	270,997	385,518
Total Liabilities	854,230	851,481	370,246	385,518
Total Equity and Liabilities	3,377,398	3,379,946	1,204,075	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 30.09.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$2,205,000	-	\$2,664,000	\$119,964,000

Amount repayable after one year

As at 30.09.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$649,298,000	\$138,527,000	\$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	
3rd Quarter 2019	3rd Quarter 2018
Cash Flows from Operating Activities	
Profit before tax	14,946
Adjustments for:	
Depreciation of property, plant and equipment	175
Depreciation of right-of-use asset	-
Gain on disposal of investment properties	(76)
(Gain)/Loss on disposal of property, plant and equipment	56
Impairment loss write back on trade receivables, net	(22)
Impairment loss write back on other assets	(5)
Changes in fair value of other investments at fair value through profit or loss	2,738
Finance income	(447)
Finance expense	7,019
	17,386
Changes in working capital:	
Development properties	18,630
Trade and other receivables	957
Trade and other payables	(4,606)
Contract liabilities	(80)
Cash generated from operations	39,285
Tax paid	(1,333)
Net Cash from Operating Activities	37,952
Cash Flows from Investing Activities	
Capital expenditure on investment properties	(1,317)
Decrease/(Increase) in restricted cash	(58)
Proceeds from disposal of investment properties	1,648
Proceeds from disposal of property, plant and equipment	230
Proceeds from disposal of other investments	-
Purchase of property, plant and equipment	(701)
Purchase of other investments	(5,149)
Interest received	555
Net Cash from/(used in) Investing Activities	(4,792)
Cash Flows from Financing Activities	
Decrease/(Increase) in pledged bank deposits	(1,145)
Interest paid	(7,327)
Payment of lease liabilities and finance lease liabilities	(5)
Repayments of loans and borrowings	(27,363)
Purchase of treasury shares	-
Net Cash used in Financing Activities	(35,840)
Net Decrease in Cash and Cash Equivalents	(2,680)
Cash and cash equivalents at beginning of the period	48,947
Effect of exchange rate fluctuations on cash and cash equivalents held	245
Cash and Cash Equivalents at end of the period	46,512
Cash and Cash Equivalents at 30 September is represented by:	
Cash at banks and in hand	7,036
Deposits	49,674
Cash and cash equivalents	56,710
Less: Pledged bank deposits (non-current)	(10,005)
Cash and cash equivalents (current)	46,705
Less: Restricted cash	(193)
	46,512

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 2018	186,688	2,471	(101,050)	(11,809)	1,635,358	1,711,658	542,127	2,253,785
Total comprehensive income for the period								
Profit for the period	-	-	-	-	11,477	11,477	599	12,076
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	1	-	814	-	815	1,617	2,432
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	154	-	154	-	154
Total other comprehensive income, net of tax	-	1	-	968	-	969	1,617	2,586
Total comprehensive income for the period	-	1	-	968	11,477	12,446	2,216	14,662
At 30 September 2018	186,688	2,472	(101,050)	(10,841)	1,646,835	1,724,104	544,343	2,268,447
At 1 July 2019	186,688	1,957	(109,191)	(12,014)	1,823,080	1,890,520	619,515	2,510,035
Total comprehensive income for the period								
Profit/(Loss) for the period	-	-	-	-	5,843	5,843	(246)	5,597
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	28	-	3,236	-	3,264	5,777	9,041
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	487	-	487	-	487
Total other comprehensive income, net of tax	-	28	-	3,723	-	3,751	5,777	9,528
Total comprehensive income for the period	-	28	-	3,723	5,843	9,594	5,531	15,125
Transactions with Owners, recorded directly in Equity								
Distributions to Owners								
Own shares acquired	-	-	(1,992)	-	-	(1,992)	-	(1,992)
Total transactions with Owners	-	-	(1,992)	-	-	(1,992)	-	(1,992)
At 30 September 2019	186,688	1,985	(111,183)	(8,291)	1,828,923	1,898,122	625,046	2,523,168
The Company								
At 1 July 2018	186,688	-	-	-	669,715	856,403	-	856,403
Loss and total comprehensive income for the period	-	-	-	-	(96)	(96)	-	(96)
At 30 September 2018	186,688	-	-	-	669,619	856,307	-	856,307
At 1 July 2019	186,688	-	(8,141)	-	657,121	835,668	-	835,668
Profit and total comprehensive income for the period	-	-	-	-	153	153	-	153
Transactions with Owners, recorded directly in Equity								
Distributions to Owners								
Own shares acquired	-	-	(1,992)	-	-	(1,992)	-	(1,992)
Total transactions with Owners	-	-	(1,992)	-	-	(1,992)	-	(1,992)
At 30 September 2019	186,688	-	(10,133)	-	657,274	833,829	-	833,829

- 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.**

	The Company		
	30.09.2019	30.06.2019	30.09.2018
Total number of issued shares	870,612,140	870,612,140	870,612,140
Less: Number of treasury shares	(11,496,200)	(9,140,900)	-
Total number of issued shares excluding treasury shares	859,115,940	861,471,240	870,612,140

The Company has made purchases of 2,355,300 ordinary shares in the capital of the Company and held them as treasury shares during the third quarter of 2019.

As at 30 September 2019, the number of treasury shares held by the Company was 11,496,200 (30 September 2018 : Nil).

The Company did not have any subsidiary holdings, outstanding options and convertibles as at 30 September 2019 and 30 September 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.**

	The Company	
	30.09.2019	31.12.2018
Total number of issued shares excluding treasury shares	859,115,940	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.**

	The Company
	No of Shares
At 1 January 2019	-
Own shares acquired	11,496,200
At 30 September 2019	11,496,200

- 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	
3rd Quarter 2019	3rd Quarter 2018
0.86 cts	1.66 cts
0.86 cts	1.66 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 \$5,843,000 (2018 : \$11,477,000) and the weighted average number of ordinary shares outstanding of 682,865,327 (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 30 September 2019 and 30 September 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	
30.09.2019	31.12.2018	30.09.2019	31.12.2018
279 cts	274 cts	97 cts	98 cts
681,526,308	693,022,508	859,115,940	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 \$41.4 million as compared to approximately \$48.8 million in the previous corresponding period. The decrease was mainly due to lower contribution from sales of its development properties although revenue from its investment properties has increased.

The Group's other income decreased by approximately \$0.16 million mainly due to absence of compensation income from its properties in this period.

With the recognition of sales revenue from its development properties, the Group recorded the amount of cost of sales for these units. In the previous corresponding quarter, the Group also derecognised any accrued development costs no longer required for units sold in prior years.

The increase in depreciation expense arose from additions to property, plant and equipment.

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

The increase in net exchange gain was mainly due to the increase in the weakening of the Singapore dollar on its investments in securities denominated in Hong Kong dollars in this period as compared to the previous corresponding period.

The changes in fair value of other investments at fair value through profit or loss was mainly due to the recognition of gain in fair value upon disposal of certain investments and valuation of its investments at fair value as at 30 September 2019.

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

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

There was an increase in rental commission for this period due to new tenants for its properties introduced by real estate agents.

The increase in other expenses was mainly due to higher professional fees incurred for this period as compared to the previous corresponding period.

The decrease in finance income for this period was mainly due to lower interest income from its 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.

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

Overall, the Group posted a profit of approximately \$5.6 million as compared to \$12.1 million in the previous corresponding period.

The Group's profit attributable to Owners of the Company was approximately \$5.8 million as compared to \$11.5 million in the previous corresponding period.

The increase in property, plant and equipment was mainly due to the purchase of furniture and fittings for its residential units of its development properties.

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 30 September 2019.

The non-current asset held for sale in 2018 was disposed of in February 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 repay these secured loans.

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

The lease liabilities as at 30 September 2019 were due to the adoption of SFRS(I) 16 effective from 1 January 2019.

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

The decrease in current tax liabilities was due mainly to the net effect in provision of tax for the nine months ended 30 September 2019 and the payment of tax for 2018.

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 global economic outlook continues to weaken amid uncertainties arising from on-going trade frictions, currency devaluations, political tensions, unrest in Hong Kong and Brexit negotiations. Some central banks have begun lowering interest rates to support economic growth. Notwithstanding this, the Group is expected to recognise revenue from the sales of its residential units of Concourse Skyline and the contribution from its investment properties is expected to remain positive.

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/recommendeded for the third quarter ended 30 September 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 Third Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 September 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 November 2019