

**HONG FOK CORPORATION LIMITED**

(Co. Reg. No. 196700468N)

**Full Year Financial Statement And Dividend Announcement for the Year Ended 31 December 2008****PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS****1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Full year financial statement on consolidated results for the year ended 31 December 2008.  
These figures have not been audited.

	The Group		
	\$'000		%
	2008	2007	Increase/ (Decrease)
<b>Revenue</b> (Note 1)	52,447	58,183	(10)
Other income (Note 2)	5,825	1,180	394
	58,272	59,363	(2)
(Allowance for diminution in value of development properties)/Write-back of allowance for foreseeable losses and cost of development properties previously written down	(429)	3,701	NM
Bad debts recovered	16	311	(95)
Cost of sales of development properties	(6,729)	(11,611)	(42)
Depreciation of fixed assets	(387)	(302)	28
Cost of development properties written off	(164)	-	NM
Exchange gain/(loss), net	93	(20)	NM
Impairment in receivables and bad debts written off, net	(31)	(196)	(84)
(Impairment loss)/Write-back of impairment loss on other assets	(100)	117	NM
(Loss)/Gain on revaluation of investment properties	(85,046)	229,066	NM
Loss on remeasurement of other investments	(758)	(77)	884
Loss on disposal of subsidiaries	-	(427)	NM
Other expenses	(35,747)	(33,742)	6
	(71,010)	246,183	NM
Finance expense	(13,800)	(22,805)	(39)
	(84,810)	223,378	NM
Share of results of associates, net of tax	(6,105)	4,629	NM
<b>(Loss)/Profit before income tax</b> (Note 3)	(90,915)	228,007	NM
Income tax expense - current year	(1,522)	(381)	299
Income tax expense - underprovision in prior years	(1,179)	(77)	1,431
Deferred tax expense	23,789	(16,082)	NM
<b>(Loss)/Profit for the year</b>	(69,827)	211,467	NM
<b>Attributable to:</b>			
Equity holders of the Company	(72,512)	211,719	NM
Minority interest	2,685	(252)	NM
<b>(Loss)/Profit for the year</b>	(69,827)	211,467	NM

## Notes:

- (1) Included in Revenue is investment income of approximately \$18,000 (2007 : \$38,000).
- (2) Included in Other income is net gain on disposal of fixed assets of approximately \$236,000 (2007 : \$212,000).
- (3) Included in (Loss)/Profit before income tax is net profit on disposal of development properties of approximately \$3,094,000 (2007 : \$2,113,000).
- (4) NM – Not Meaningful.
- (5) NA – Not Applicable.

1(b)(i) A balance sheet (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	
	2008	2007	2008	2007
<b>Non-current Assets</b>				
Fixed assets	1,223	908	-	-
Subsidiaries	-	-	229,693	233,451
Associates	116,709	122,471	-	-
Investment properties	1,094,530	1,331,022	-	-
Other investments	299	367	-	-
Other assets	433	64,294	-	-
	1,213,194	1,519,062	229,693	233,451
<b>Current Assets</b>				
Other investments	320	1,078	-	-
Development properties	315,426	24,171	-	-
Trade and other receivables	8,525	15,669	4	3
Cash and cash equivalents	11,475	2,113	498	418
	335,746	43,031	502	421
<b>Total Assets</b>	1,548,940	1,562,093	230,195	233,872
<b>Equity attributable to equity holders of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Reserves	606,116	678,121	28,391	33,326
	792,804	864,809	215,079	220,014
<b>Minority interest</b>	22,061	19,257	-	-
<b>Total Equity</b>	814,865	884,066	215,079	220,014
<b>Non-current Liabilities</b>				
Obligations under finance leases	115	29	-	-
Loans	649,486	571,220	-	-
Deferred income	2,069	2,058	-	-
Financial guarantees	-	-	10,406	10,092
Deferred tax liability	56,470	80,259	-	-
	708,140	653,566	10,406	10,092
<b>Current Liabilities</b>				
Bank overdraft	2,208	1,219	-	-
Trade and other payables	21,701	22,300	976	1,252
Obligations under finance leases	52	53	-	-
Loans	44	-	-	-
Financial guarantees	-	-	3,734	2,514
Tax payable	1,930	889	-	-
	25,935	24,461	4,710	3,766
<b>Total Liabilities</b>	734,075	678,027	15,116	13,858
<b>Total Equity and Liabilities</b>	1,548,940	1,562,093	230,195	233,872

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 31.12.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
\$2,260,000	\$44,000	\$1,272,000	-

Amount repayable after one year

As at 31.12.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
\$649,473,000	\$128,000	\$571,249,000	-

## Details of any collaterals

The borrowings by the subsidiaries are generally secured by the Group's investment properties and certain development properties and are guaranteed by the Company or Winfoong International Limited, a subsidiary of the Company.

### 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group	
	\$'000	
	2008	2007
<b>Operating Activities</b>		
(Loss)/Profit before income tax	(90,915)	228,007
Adjustments for :		
Share of results of associates, net of tax	6,105	(4,629)
Amortisation of transaction cost of loans	638	1,635
Allowance for diminution in value of development properties/(Write-back of allowance for foreseeable losses and cost of development properties previously written down)	429	(3,701)
Impairment in receivables and bad debts written off, net	31	196
Depreciation of fixed assets	387	302
Cost of development properties written off	164	-
Gain on disposal of fixed assets, net	(236)	(212)
Gain on disposal of other investments	-	(17)
Impairment loss/(Write-back of impairment loss) on other assets	100	(117)
Loss/(Gain) on revaluation of investment properties	85,046	(229,066)
Loss on disposal of subsidiaries	-	427
Loss on remeasurement of other investments	758	77
Interest income	(88)	(124)
Interest expense	13,162	21,166
Operating profit before working capital changes	15,581	13,944
Changes in working capital :		
Development properties	(25,910)	11,432
Trade and other receivables	6,895	(7,285)
Trade and other payables	(440)	2,333
Cash (used in)/generated from operations	(3,874)	20,424
Income tax paid	(1,779)	(124)
Interest income received	247	147
Income tax refund	119	2
<b>Cash Flows from Operating Activities</b>	<b>(5,287)</b>	<b>20,449</b>
<b>Investing Activities</b>		
Capital expenditure on investment properties	(49,143)	(2,285)
Purchase of other investments	-	(125)
Acquisition of land and other assets	-	(64,232)
Purchase of fixed assets	(568)	(70)
Proceeds from disposal of fixed assets	263	376
Proceeds from disposal of other investments	-	162
Acquisition of subsidiaries, net of cash	-	4,715
<b>Cash Flows from Investing Activities</b>	<b>(49,448)</b>	<b>(61,459)</b>
<b>Financing Activities</b>		
Interest expense paid	(14,338)	(22,254)
Dividend paid	-	(35,975)
Repayment of loans and borrowings	(12,991)	(14,898)
Payment of finance lease rentals	(78)	(133)
Proceeds from issuance of rights shares	-	35,975
Proceeds from loans	90,509	79,952
<b>Cash Flows from Financing Activities</b>	<b>63,102</b>	<b>42,667</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>8,367</b>	<b>1,657</b>
Cash and cash equivalents at 1 January	894	(762)
Effect of exchange rate fluctuations	6	(1)
<b>Cash and Cash Equivalents at 31 December</b>	<b>9,267</b>	<b>894</b>
<b>Cash and Cash Equivalents at 31 December is represented by :</b>		
Cash at banks and in hand	2,475	2,111
Time deposits with a bank	9,000	2
Bank overdraft	(2,208)	(1,219)
	9,267	894

The cash and cash equivalents as at 31 December 2008 included \$9,000,000 in bank deposits and approximately \$1,032,000 cash held under the Housing Developers (Project Account) Rules 1985. The withdrawals of these funds are restricted to certain payments and conditions as stipulated under the Project Account Rules.

Summary of net effect of acquisition/disposal of subsidiaries

		The Group	
		\$'000	
		2008	2007
Fixed assets	-		759
Investment properties	-		50,049
Other investments	-		385
Trade and other receivables	-		522
Cash and cash equivalents	-		34
Trade and other payables	-		(2,398)
Loans and borrowings	-		(21,006)
Minority interest	-		(19,509)
	-		8,836
Less interest in subsidiaries previously accounted for as associates	-		(13,944)
Net assets disposed	-		(5,108)
Loss on disposal	-		427
Net cash acquired	-		(4,681)
Cash acquired	-		(34)
Cash inflow on acquisition of subsidiaries, net of cash	-		(4,715)

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					
	Share Capital	Capital and Other Reserves	Translation Reserves	Retained Profit	Minority Interest	Total
<b>The Group</b>						
At 1 January 2007	150,713	3,099	(24,957)	532,839	-	661,694
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(6,199)	-	-	(6,199)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(2,432)	-	-	(2,432)
Share of reserves of associates	-	(680)	-	707	-	27
Net gains/(losses) recognised directly in equity	-	(680)	(8,631)	707	-	(8,604)
Profit for the year	-	-	-	211,719	(252)	211,467
Total recognised income and expense for the year	-	(680)	(8,631)	212,426	(252)	202,863
Issue of rights shares	35,975	-	-	-	-	35,975
Effects arising on acquisition of subsidiaries	-	-	-	-	19,509	19,509
Interim bonus dividend paid of \$0.06 (net of tax of 18%) per share	-	-	-	(35,975)	-	(35,975)
At 31 December 2007	186,688	2,419	(33,588)	709,290	19,257	884,066
At 1 January 2008	186,688	2,419	(33,588)	709,290	19,257	884,066
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	342	-	145	487
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	209	-	-	209
Change in fair value of available-for-sale investments	-	(44)	-	-	(26)	(70)
Net gains/(losses) recognised directly in equity	-	(44)	551	-	119	626
Loss for the year	-	-	-	(72,512)	2,685	(69,827)
Total recognised income and expense for the year	-	(44)	551	(72,512)	2,804	(69,201)
At 31 December 2008	186,688	2,375	(33,037)	636,778	22,061	814,865
<b>The Company</b>						
At 1 January 2007	150,713	-	-	40,516	-	191,229
Profit for the year	-	-	-	28,785	-	28,785
Total recognised income and expense for the year	-	-	-	28,785	-	28,785
Issue of rights shares	35,975	-	-	-	-	35,975
Interim bonus dividend paid of \$0.06 (net of tax of 18%) per share	-	-	-	(35,975)	-	(35,975)
At 31 December 2007	186,688	-	-	33,326	-	220,014
At 1 January 2008	186,688	-	-	33,326	-	220,014
Loss for the year	-	-	-	(4,935)	-	(4,935)
Total recognised income and expense for the year	-	-	-	(4,935)	-	(4,935)
At 31 December 2008	186,688	-	-	28,391	-	215,079

- 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.**

The Company did not issue any shares during the financial year under review.

During the year 2007, the Company issued 59,959,518 new Ordinary Shares at an issue price of \$0.60 per share. As at 31 December 2008, the share capital of the Company is 659,554,698 shares (2007 : 659,554,698 shares).

- 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

2008	2007
659,554,698	659,554,698

- 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 2007.

- 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 and the Company adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRS") including related Interpretations ("INT FRS") which became effective for the financial statements of the Group and of the Company for the year ended 31 December 2008. The adoption of these new and revised FRS and INT FRS did not give rise to any adjustments to the opening balances of the retained profits of the Group and of the Company for the prior and current years or to changes in comparatives.

- 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	
2008	2007
(10.99) cts	33.38 cts
(10.99) cts	33.38 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the loss for the year of approximately \$72,512,000 (2007 : profit of \$211,719,000) and the weighted average number of ordinary shares outstanding of 659,554,698 (2007 : 634,281,128).

There are no potential dilutive ordinary shares in existence as at 31 December 2008 and 31 December 2007.

**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

The Group		The Company	
2008	2007	2008	2007
124 cts	134 cts	33 cts	33 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.**

The Group's revenue for 2008 decreased from approximately \$58.2 million to approximately \$52.4 million. This was mainly due to a decrease in sales revenue and rental income from its development properties and investment properties respectively. There was an increase in rental income from the office units of The Concourse although this could not offset the absence of rental income from the retail units and apartments of The Concourse from March 2008 as these units are being demolished. The Group's property management income increased in 2008, however, this was offset by a drop in income from the car parks located at The Concourse.

The Group's other income for 2008 increased mainly due to higher compensation income relating to the leases of its investment properties.

Other than due to the decrease in revenue, the Group made a loss before its share of results of associates of approximately \$84.8 million as compared to a profit of approximately \$223.4 million mainly due to the following:

- (1) The depressed property market condition has resulted in the Group's provision for diminution in value of its development properties in 2008 as compared to a write-back of allowance in the previous year.
- (2) There was also a loss on revaluation of the Group's investment properties as their market values have decreased significantly from 2007 as assessed by professional valuers.
- (3) There was a decrease in cost of sales of completed development properties due to lower sales during the year.
- (4) The depressed stock market has also contributed to an increase in impairment loss on remeasurement of other investments.
- (5) Although there was an increase in loans, there was a decrease in finance expense due mainly to lower interest rates incurred on its loans and borrowings that have been refinanced in the third quarter of 2007.

The associates contributed a loss in 2008 as compared to a profit in the previous year.

The underprovision of income tax expense was mainly due to prior year tax issue reconciled with The Comptroller of Income Tax.

The decrease in deferred tax expense was due to a reclassification of certain amounts for investment properties to development properties as explained below.

The Group has paid an upgrading premium of \$83.0 million in June 2008 to top-up the lease tenure of its property at Beach Road to 99 years with effect from 13 March 2008 so that the lease will expire in 2107. The original lease was due to expire in 2079. Hence, the Group's property at Beach Road classified as investment properties as at 31 December 2007 was revalued as of June 2008 by a firm of independent professional valuers. With the lease top-up, the Group will redevelop the shops and apartments to a part 4/part 7-storey podium car park and apartments with 1st storey commercial units and 2 blocks of part 20/part 28-storey and part 34/part 40-storey residential flats with communal facilities ("Concourse Skyline"). The office tower of The Concourse remains as investment properties while the development rights relating to the commercial component and the residential units of Concourse Skyline were classified as investment properties and development properties respectively.

In addition, the Group obtained President's approval for the alienation of the State Land at Claymore Hill, Singapore in January 2008 which was classified as other assets as at 31 December 2007. This State Land has now been reclassified to investment properties as at 31 December 2008.

The Group recorded a net decrease in value of its investment properties principally from revaluation of these properties as of December 2008.

The decrease in trade and other receivables was mainly due to the refund of goods and services tax and certain amount incurred for Concourse Skyline reclassified from other receivables to development properties.

The increase in cash and cash equivalents was due to fixed deposits placed in 2008 from the proceeds in relation to the sale of residential units in Concourse Skyline.

The Group's loans increased due mainly to the financing of its payment for the development charge for balcony gross floor area of Concourse Skyline and the said upgrading premium of \$83.0 million.

**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 launched the sales of the residential units of Concourse Skyline in September 2008. In spite of the current property market condition, the Group achieved satisfactory sales from the first launch as Concourse Skyline is a unique development, directly linked to the upcoming Nicoll Highway MRT Station that offers sweeping waterway and city views, and overlooks Singapore's newest and most exciting attractions.

The Group expects the operating environment for its office rental and residential property sales to be challenging in view of the current global economic crisis.

**11. Dividend**

**(a) Current financial period reported on**

Any dividend declared for the current financial period reported on ? None

Name of Dividend	-
Dividend Type	-
Dividend Amount per Share (in cents)	-
Tax Rate	-

**(b) Corresponding period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year ? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	6 cents (net of tax) per ordinary share
Tax Rate	18%



(c) **Date payable**

NA.

(d) **Books closure date**

NA.

12. **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommendeded for the year ended 31 December 2008.

**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group					
\$'000					
Business Segments	Property Investment	Property Development	Property Management	Other Operations	Total
2008					
Total revenue	40,281	10,117	1,396	653	52,447
Segment results	(64,587)	(3,185)	261	(3,499)	(71,010)
Finance expense	(13,688)	(108)	-	(4)	(13,800)
					(84,810)
Share of results of associates, net of tax					(6,105)
Income tax expense					21,088
Loss for the year					(69,827)
2007					
Total revenue	43,070	14,053	729	331	58,183
Segment results	245,789	5,609	42	(5,257)	246,183
Finance expense	(21,491)	(817)	-	(497)	(22,805)
					223,378
Share of results of associates, net of tax					4,629
Income tax expense					(16,540)
Profit for the year					211,467

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to paragraph 8 above.

15. **A breakdown of sales as follows:**

- (a) Sales reported for first half year
- (b) Profit after income tax before deducting minority interest reported for first half year
- (c) Sales reported for second half year
- (d) (Loss)/profit after income tax before deducting minority interest reported for second half year

The Group		
\$'000		%
2008	2007	Increase/ (Decrease)
29,527	32,821	(10)
25,657	34,954	(27)
22,920	25,362	(10)
(95,484)	176,513	NM

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

- (a) Ordinary
- (b) Preference
- (c) Total

The Company	
\$'000	
2008	2007
-	35,975
-	-
-	35,975

**BY ORDER OF THE BOARD**

Koh Chay Tiang  
Company Secretary  
27 February 2009