

**HONG FOK CORPORATION LIMITED**

(Co. Reg. No. 196700468N)

**First Quarter Financial Statement for the Period Ended 31 March 2010****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 2010.  
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2010	1st Quarter 2009	Increase/ (Decrease)
<b>Revenue</b> (Note 1)	11,989	12,694	(6)
Other income (Note 2)	62	75	(17)
	12,051	12,769	(6)
Depreciation of fixed assets	(40)	(95)	(58)
Exchange gain, net	-	245	NM
Gain on fair value of previously-held equity interest in associates	1,378	-	NM
Negative goodwill	233	-	NM
Impairment in trade and other receivables and bad debts written off, net	(83)	(85)	(2)
Impairment loss written back/(made) on other assets	10	(25)	NM
(Loss)/Gain on remeasurement of other investments	(34)	36	NM
Other expenses	(6,728)	(7,300)	(8)
	6,787	5,545	22
Finance expense	(2,502)	(2,883)	(13)
	4,285	2,662	61
Share of results of associates, net of tax	(479)	95	NM
<b>Profit before income tax</b>	3,806	2,757	38
Income tax expense	(874)	(558)	57
Deferred tax expense	-	3,137	NM
<b>Profit for the period</b>	2,932	5,336	(45)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(701)	6,379	NM
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(259)	2,451	NM
Effect of realisation of exchange reserve from previously-held interest in associates	(824)	-	NM
Change in fair value of available-for-sale investments	35	(59)	NM
<b>Other comprehensive income for the period, net of income tax</b>	(1,749)	8,771	NM
<b>Total comprehensive income for the period</b>	1,183	14,107	(92)
<b>Profit attributable to:</b>			
Owners of the Company	2,932	5,465	(46)
Non-controlling interests	-	(129)	NM
<b>Profit for the period</b>	2,932	5,336	(45)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	1,183	13,423	(91)
Non-controlling interests	-	684	NM
<b>Total comprehensive income for the period</b>	1,183	14,107	(92)

Notes:

- (1) Included in Revenue is investment income of approximately \$3,000 (2009 : \$1,000).
- (2) Included in Other income is net gain on disposal of fixed assets of approximately \$Nil (2009 : \$44,000).
- (3) NM – Not Meaningful.
- (4) 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	
	31.03.2010	31.12.2009	31.03.2010	31.12.2009
<b>Non-current Assets</b>				
Fixed assets	422	431	-	-
Subsidiaries	-	-	245,808	230,123
Associates	150,760	151,601	-	39
Investment properties	1,014,824	1,014,824	-	-
Other assets	387	377	-	-
	<b>1,166,393</b>	<b>1,167,233</b>	<b>245,808</b>	<b>230,162</b>
<b>Current Assets</b>				
Other investments	649	683	-	-
Development properties	284,745	272,332	-	-
Trade and other receivables	2,912	2,520	22	4
Cash and cash equivalents	40,138	42,811	325	315
	<b>328,444</b>	<b>318,346</b>	<b>347</b>	<b>319</b>
<b>Total Assets</b>	<b>1,494,837</b>	<b>1,485,579</b>	<b>246,155</b>	<b>230,481</b>
<b>Equity Attributable to Owners of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Reserves	617,657	616,474	49,159	32,680
<b>Total Equity</b>	<b>804,345</b>	<b>803,162</b>	<b>235,847</b>	<b>219,368</b>
<b>Non-current Liabilities</b>				
Obligations under finance leases	89	101	-	-
Loans	615,292	606,183	-	-
Financial guarantees	-	-	5,466	6,479
Deferred tax liability	49,915	49,915	-	-
	<b>665,296</b>	<b>656,199</b>	<b>5,466</b>	<b>6,479</b>
<b>Current Liabilities</b>				
Bank overdraft	195	362	-	-
Trade and other payables	21,032	22,836	865	707
Obligations under finance leases	52	54	-	-
Financial guarantees	-	-	3,977	3,927
Tax payable	3,917	2,966	-	-
	<b>25,196</b>	<b>26,218</b>	<b>4,842</b>	<b>4,634</b>
<b>Total Liabilities</b>	<b>690,492</b>	<b>682,417</b>	<b>10,308</b>	<b>11,113</b>
<b>Total Equity and Liabilities</b>	<b>1,494,837</b>	<b>1,485,579</b>	<b>246,155</b>	<b>230,481</b>

**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 31.03.2010		As at 31.12.2009	
Secured	Unsecured	Secured	Unsecured
\$247,000	-	\$416,000	-

**Amount repayable after one year**

As at 31.03.2010		As at 31.12.2009	
Secured	Unsecured	Secured	Unsecured
\$615,381,000	-	\$606,284,000	-

**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.

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	
	1st Quarter 2010	1st Quarter 2009
<b>Operating Activities</b>		
Profit before income tax	3,806	2,757
Adjustments for:		
Share of results of associates, net of tax	479	(95)
Amortisation of transaction cost of loans	182	176
Depreciation of fixed assets	40	95
Gain on fair value of previously-held equity interest in associates	(1,378)	-
Gain on disposal of fixed assets, net	-	(44)
Impairment in trade and other receivables and bad debts written off, net	83	85
Impairment loss (written back)/made on other assets	(10)	25
Loss/(Gain) on remeasurement of other investments	34	(36)
Negative goodwill	(233)	-
Interest income	(27)	(40)
Interest expense	2,320	2,707
	5,296	5,630
Changes in working capital:		
Development properties	1,381	7
Trade and other receivables	(496)	4,179
Trade and other payables	(2,030)	(896)
Cash generated from operations	4,151	8,920
Income tax paid	(1)	(38)
Interest income received	25	2
	4,175	8,884
<b>Cash Flows from Operating Activities</b>		
<b>Investing Activities</b>		
Capital expenditure on investment properties	-	(865)
Purchase of fixed assets	(11)	(47)
Proceeds from disposal of fixed assets	-	46
Acquisition of subsidiaries, net of cash acquired	(9,492)	-
	(9,503)	(866)
<b>Cash Flows from Investing Activities</b>		
<b>Financing Activities</b>		
Interest expense paid	(2,363)	(2,916)
Repayment of loans	-	(7,583)
Payment of finance lease rentals	(14)	(17)
Proceeds from loans	5,227	3,364
	2,850	(7,152)
<b>Cash Flows from Financing Activities</b>		
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	(2,478)	866
Cash and cash equivalents at 1 January	42,449	9,267
Effect of exchange rate fluctuations	(28)	28
	39,943	10,161
<b>Cash and Cash Equivalents at 31 March</b>		
<b>Cash and Cash Equivalents at 31 March is represented by:</b>		
Cash at banks and in hand	3,138	2,823
Fixed deposits	37,000	8,000
Bank overdraft	(195)	(662)
	39,943	10,161

Included in cash and cash equivalents as at 31 March 2010 is an amount held under the Housing Developers (Project Account) Rules of approximately \$39,180,000 (2009 : \$9,212,000) the use of which is subject to restriction imposed by the said Rules.

### Summary of Effect on Acquisition of Subsidiaries

On 25 January 2010, the Company purchased the entire issued share capital of an associate, Goldease Investments Limited ("Goldease") and to take an assignment of the loans owing from the subsidiaries of Goldease to subsidiaries of Winfoong International Limited (an associate of the Company), for a net cash consideration of \$10,150,000. The net assets of Goldease and its subsidiaries as at the date of acquisition were as follows:

\$'000			
	Carrying Amount	Fair Value Adjustment	Recognised Value
Fixed assets	20	-	20
Development properties	12,500	1,140	13,640
Trade and other receivables	4	-	4
Cash and cash equivalents	658	-	658
Trade and other payables	(122)	-	(122)
Amounts due from associates	(39)	-	(39)
Tax payable	(78)	-	(78)
Bank loan	(3,700)	-	(3,700)
Inter-company loans	(20,697)	-	(20,697)
Net assets acquired	(11,454)	1,140	(10,314)
Negative goodwill			(233)
Transfer of inter-company loans			(10,547)
Cash consideration paid			20,697
Cash acquired			10,150
Net cash outflow on acquisition			(658)
			9,492

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	Translation Reserves	Retained Profits	Total			
<b>The Group</b>							
At 1 January 2009	186,688	2,375	(33,037)	636,778	792,804	22,061	814,865
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	5,465	5,465	(129)	5,336
<b>Other comprehensive income</b>							
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	5,544	-	5,544	835	6,379
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	2,451	-	2,451	-	2,451
Change in fair value of available-for-sale investments	-	(37)	-	-	(37)	(22)	(59)
Total other comprehensive income	-	(37)	7,995	-	7,958	813	8,771
Total comprehensive income for the period	-	(37)	7,995	5,465	13,423	684	14,107
At 31 March 2009	186,688	2,338	(25,042)	642,243	806,227	22,745	828,972
At 1 January 2010	186,688	2,379	(36,683)	650,778	803,162	-	803,162
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	2,932	2,932	-	2,932
<b>Other comprehensive income</b>							
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(701)	-	(701)	-	(701)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(259)	-	(259)	-	(259)
Effect of realisation of exchange reserve from previously-held interest in associates	-	-	(824)	-	(824)	-	(824)
Change in fair value of available-for-sale investments	-	35	-	-	35	-	35
Total other comprehensive income	-	35	(1,784)	-	(1,749)	-	(1,749)
Total comprehensive income for the period	-	35	(1,784)	2,932	1,183	-	1,183
At 31 March 2010	186,688	2,414	(38,467)	653,710	804,345	-	804,345
<b>The Company</b>							
At 1 January 2009	186,688	-	-	28,391	215,079	-	215,079
Profit for the period - Total comprehensive income for the period	-	-	-	3,756	3,756	-	3,756
At 31 March 2009	186,688	-	-	32,147	218,835	-	218,835
At 1 January 2010	186,688	-	-	32,680	219,368	-	219,368
Profit for the period - Total comprehensive income for the period	-	-	-	16,479	16,479	-	16,479
At 31 March 2010	186,688	-	-	49,159	235,847	-	235,847

- 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.**

Total number of issued shares excluding treasury shares

31.03.2010	31.12.2009
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 period compared with the Group's and the Company's audited financial statements for the year ended 31 December 2009.

- 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 adopted Financial Reporting Standard (FRS) 103 (revised 2009) and FRS 27 (amended) which became effective for the Group's financial statements for the year ending 31 December 2010. FRS 103 (revised 2009) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. The amendments will mainly impact the accounting for transaction costs, step acquisitions, goodwill and non-controlling interests (previously minority interests).

The FRS 27 (amended) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.

FRS 103 (revised 2009) and FRS 27 (amended) will be applied prospectively and therefore there will be no impact on prior periods in the Group's financial statements for the year ending 31 December 2010.

At 31 December 2009, the Company through its subsidiaries had 48.57% equity interest in its associate, Goldease. In January 2010, the Company acquired an additional 51.43% equity interest in Goldease, resulting in Goldease and its subsidiaries becoming wholly-owned subsidiaries of the Company.

As the acquisition of interest in Goldease was completed in the first quarter ended 31 March 2010, the transaction was affected by the revised FRS 103 and amendments to FRS 27. Please refer to page 1 of this announcement for the amount of the negative goodwill recognised and the gain on fair value of previously-held equity interest in associates.

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 2010	1st Quarter 2009
0.44 cts	0.83 cts
0.44 cts	0.83 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated profit for the period of approximately \$2,932,000 (2009 : \$5,465,000) and the weighted average number of ordinary shares outstanding of 659,554,698.

There are no potential dilutive ordinary shares in existence as at 31 March 2010 and 31 March 2009.

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	
31.03.2010	31.12.2009	31.03.2010	31.12.2009
122 cts	122 cts	36 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 the current period decreased approximately by \$0.7 million as compared to the previous period. This was principally due to a decrease in property management income, maintenance fee income and the absence of contribution from horticultural services.

Notwithstanding the decrease in revenue, the Group recorded an increase in profit before its share of results of associates of approximately \$1.6 million. This was mainly due to gain on fair value of previously-held equity interest in associates, negative goodwill and lower interest rates incurred on its loans. However, the Group's profit after income tax for the current period decreased by approximately \$2.4 million as there was a reversal of deferred tax expense of approximately \$3.1 million in the previous period due to a 1% reduction in corporate tax rate.

As at 31 March 2010, the development properties include certain Singapore properties from the completion of a Sale and Purchase Agreement by the Company with its associates. As a result, there was an increase in development properties in the first quarter of 2010 but this was partially offset from the monies collected from the sales of the residential units of Concourse Skyline.

There was also an increase in loans in the first quarter of 2010 to partially fund the above transaction.

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 performance will be affected mainly by the global economic growth, government policies on the property sector and movements in interest rates on loans.

11. **Dividend**

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

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

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

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

- (c) **Date payable**

NA.

- (d) **Books closure date**

NA.

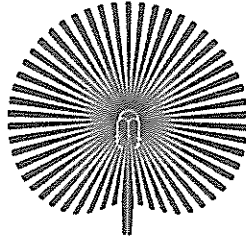
12. **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommended for the first quarter ended 31 March 2010.

**BY ORDER OF THE BOARD**

Koh Chay Tiang  
Dorothy Ho  
Company Secretaries  
14 May 2010





HONG FOK CORPORATION LIMITED

**CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

The Directors of Hong Fok Corporation Limited ("the Company") confirm that, to the best of our 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 2010 to be false or misleading in any material respect.

On behalf of the Board of Directors

Cheong Sim Eng

Cheong Hooi Kheng

Singapore  
14 May 2010