

**HONG FOK CORPORATION LIMITED**

(Co. Reg. No. 196700468N)

**First Quarter Financial Statement for the Period Ended 31 March 2011****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 2011.  
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2011	1st Quarter 2010	Increase/ (Decrease)
<b>Revenue</b> (Note 1)	12,068	11,989	1
Other income	119	62	92
	12,187	12,051	1
Cost of sales of development properties	(1,316)	-	NM
Depreciation of fixed assets	(42)	(40)	5
Gain on fair value of previously-held equity interest in associates	-	1,378	NM
Negative goodwill	-	233	NM
Impairment written back/(made) in trade and other receivables and bad debts written off, net	25	(83)	NM
Impairment loss written back on other assets	-	10	NM
Loss on remeasurement of other investments	(17)	(34)	(50)
Other expenses	(7,055)	(6,728)	5
	3,782	6,787	(44)
Finance expense	(2,280)	(2,502)	(9)
	1,502	4,285	(65)
Share of results of associates, net of tax	(6)	(479)	(99)
<b>Profit before income tax</b> (Note 2)	1,496	3,806	(61)
Income tax expense	(552)	(874)	(37)
<b>Profit for the period</b>	944	2,932	(68)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(2,151)	(701)	207
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(485)	(259)	87
Effect of realisation of exchange reserves previously-held as interest in associates	-	(824)	NM
Change in fair value of available-for-sale investments	-	35	NM
<b>Other comprehensive income for the period, net of income tax</b>	(2,636)	(1,749)	51
<b>Total comprehensive income for the period</b>	(1,692)	1,183	NM
	944	2,932	(68)
<b>Profit for the period attributable to Owners of the Company</b>	944	2,932	(68)
	(1,692)	1,183	NM
<b>Total comprehensive income for the period attributable to Owners of the Company</b>	(1,692)	1,183	NM

## Notes:

- (1) Included in Revenue is investment income of approximately \$1,000 (2010 : \$3,000).
- (2) Included in Profit before income tax is net profit on disposal of development properties of approximately \$27,000 (2010 : \$Nil).
- (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	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
<b>Non-current Assets</b>				
Fixed assets	286	312	-	-
Subsidiaries	-	-	234,825	238,310
Associates	150,362	153,056	-	-
Investment properties	1,105,664	1,104,803	-	-
Other assets	396	397	-	-
	1,256,708	1,258,568	234,825	238,310
<b>Current Assets</b>				
Other investments	658	675	-	-
Development properties	250,010	283,673	-	-
Trade and other receivables	5,021	2,369	22	3
Cash and cash equivalents	72,499	44,213	310	314
	328,188	330,930	332	317
<b>Total Assets</b>	1,584,896	1,589,498	235,157	238,627
<b>Equity Attributable to Owners of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Reserves	698,962	700,654	42,209	44,740
<b>Total Equity</b>	885,650	887,342	228,897	231,428
<b>Non-current Liabilities</b>				
Obligations under finance leases	45	56	-	-
Loans	605,484	606,388	-	-
Financial guarantees	-	-	1,283	2,349
Deferred tax liability	63,986	63,986	-	-
	669,515	670,430	1,283	2,349
<b>Current Liabilities</b>				
Bank overdraft	1,369	-	-	-
Trade and other payables	25,337	28,807	794	720
Obligations under finance leases	45	45	-	-
Financial guarantees	-	-	4,183	4,130
Tax payable	2,980	2,874	-	-
	29,731	31,726	4,977	4,850
<b>Total Liabilities</b>	699,246	702,156	6,260	7,199
<b>Total Equity and Liabilities</b>	1,584,896	1,589,498	235,157	238,627

**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 31.03.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$1,414,000	-	\$45,000	-

**Amount repayable after one year**

As at 31.03.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$605,529,000	-	\$606,444,000	-

**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 2011	1st Quarter 2010
<b>Operating Activities</b>	
Profit before income tax	3,806
Adjustments for:	
Share of results of associates, net of tax	479
Amortisation of transaction cost of loans	182
Depreciation of fixed assets	40
Gain on fair value of previously-held equity interest in associates	(1,378)
Impairment (written back)/made in trade and other receivables and bad debts written off, net	83
Impairment loss written back on other assets	(10)
Loss on remeasurement of other investments	34
Negative goodwill	(233)
Interest income	(27)
Interest expense	2,320
	3,790
Changes in working capital:	
Development properties	1,381
Trade and other receivables	(496)
Trade and other payables	(2,030)
Cash generated from operations	4,151
Income tax paid	(1)
Interest income received	25
Income tax refund	-
	30,978
<b>Cash Flows from Operating Activities</b>	
<b>Investing Activities</b>	
Capital expenditure on investment properties	-
Purchase of fixed assets	(11)
Acquisition of a subsidiary, net of cash acquired	(9,492)
	(877)
<b>Cash Flows from Investing Activities</b>	
<b>Financing Activities</b>	
Interest expense paid	(2,363)
Repayment of loans	-
Payment of finance lease rentals	(14)
Proceeds from loans	5,227
	2,850
<b>Cash Flows from Financing Activities</b>	
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(2,478)
Cash and cash equivalents at 1 January	42,449
Effect of exchange rate fluctuations	(28)
<b>Cash and Cash Equivalents at 31 March</b>	39,943
<b>Cash and Cash Equivalents at 31 March is represented by:</b>	
Cash at banks and in hand	3,138
Fixed deposits	37,000
Bank overdraft	(195)
	39,943

Included in cash and cash equivalents as at 31 March 2011 is an amount held under the Housing Developers (Project Account) Rules of approximately \$71,844,000 (2010 : \$39,180,000) the use of which is subject to restriction imposed by the said Rules.

### Summary of Effect on Acquisition of A Subsidiary

On 25 January 2010, the Company acquired 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			
1st Quarter 2010			
	Carrying Amounts	Fair Value Adjustments	Recognised Values
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 to associates	(39)	-	(39)
Tax payable	(78)	-	(78)
Loans	(3,700)	-	(3,700)
Inter-company loans	(20,697)	-	(20,697)
Net assets acquired	(11,454)	1,140	(10,314)
Negative goodwill			(233)
			(10,547)
Transfer of inter-company loans			20,697
Cash consideration paid			10,150
Cash acquired			(658)
Net cash outflow on acquisition			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				
	Share Capital	Capital and Other Reserves	Translation Reserves	Retained Profit	Total Equity	
<b>The Group</b>						
At 1 January 2010	186,688	2,379	(36,683)	650,778	803,162	
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	2,932	2,932	
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(701)	-	(701)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(259)	-	(259)	
Effect of realisation of exchange reserves previously-held as interest in associates	-	-	(824)	-	(824)	
Change in fair value of available-for-sale investments	-	35	-	-	35	
Total other comprehensive income	-	35	(1,784)	-	(1,749)	
Total comprehensive income for the period	-	35	(1,784)	2,932	1,183	
At 31 March 2010	186,688	2,414	(38,467)	653,710	804,345	
At 1 January 2011	186,688	2,467	(51,834)	750,021	887,342	
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	944	944	
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(2,151)	-	(2,151)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(485)	-	(485)	
Total other comprehensive income	-	-	(2,636)	-	(2,636)	
Total comprehensive income for the period	-	-	(2,636)	944	(1,692)	
At 31 March 2011	186,688	2,467	(54,470)	750,965	885,650	
<b>The Company</b>						
At 1 January 2010	186,688	-	-	32,680	219,368	
Profit for the period - Total comprehensive income for the period	-	-	-	16,479	16,479	
At 31 March 2010	186,688	-	-	49,159	235,847	
At 1 January 2011	186,688	-	-	44,740	231,428	
Loss for the period - Total comprehensive income for the period	-	-	-	(2,531)	(2,531)	
At 31 March 2011	186,688	-	-	42,209	228,897	

- 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

31.03.2011	31.12.2010
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 2010.

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 various new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") which became effective for the Group's financial year beginning on 1 January 2011. The adoption of these new/revised FRS and INT FRS are not expected to have any significant effect on the financial statements of the Group.

INT FRS 115 *Agreements for the Construction of Real Estate*, that was issued with an Accompanying Note, effective for the current financial year, clarifies when revenue and related expenses from a sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. INT FRS 115 determines that contracts which are not classified as construction contracts in accordance with FRS 11 can only be accounted for under the percentage of completion ("POC") method if the entity continuously transfers to the buyer control and the significant risks and rewards of the work in progress in its current state as construction progresses.

Before 1 January 2011, the Group's accounting policy for its property development projects was to recognise revenue using POC method which is an allowed alternative method under Recommended Accounting Practice 11 *Pre-completion Contracts for the Sale of Development Property* ("RAP 11"). Following the adoption of INT FRS 115 on 1 January 2011, RAP 11 was withdrawn.

On the adoption of INT FRS 115, the Group continues to recognise revenue and profit based on POC method for sale of development properties under the progressive payment scheme in Singapore.

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 2011	1st Quarter 2010
0.14 cts	0.44 cts
0.14 cts	0.44 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated profit for the period of approximately \$944,000 (2010 : \$2,932,000) 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 2011 and 31 March 2010.

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	
31.03.2011	31.12.2010	31.03.2011	31.12.2010
134 cts	135 cts	35 cts	35 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 increased marginally by approximately \$0.1 million as compared to the previous period. This was mainly due to the recognition of sales revenue from its completed development properties which was significantly offset by a decrease in rental income from its investment properties due to lower rental rates although occupancy rates remain relatively stable.

With the recognition of sales revenue, the Group also recorded an increase in cost of sales of development properties.

The Group also had a gain on fair value of previously-held equity interest in associates in the previous period.

The loss from associates decreased by approximately \$0.5 million in the current period.

The Group's profit for the current period, therefore, decreased by approximately \$2.0 million.

The Group recorded a decrease in development properties due mainly to monies collected from the sales of the residential units of Concourse Skyline. The increase in trade and other receivables was due mainly to progressive amounts billed to the purchasers of Concourse Skyline. The increase in cash and cash equivalents was due mainly to increase in fixed deposits placed from the proceeds in relation to the sale of residential units in Concourse Skyline.

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 is of the opinion that demand from residential units is likely to be from home buyers and long term investors. The demand for leasing of office space is improving.

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.

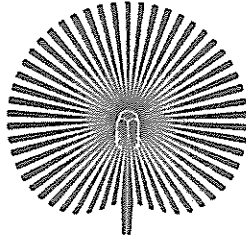
12. **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommended for the first quarter ended 31 March 2011.

**BY ORDER OF THE BOARD**

Koh Chay Tiang  
Dorothy Ho  
Company Secretaries  
13 May 2011





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 2011 to be false or misleading in any material respect.

On behalf of the Board of Directors

Cheong Sim Eng

Cheong Hooi Kheng

Singapore  
13 May 2011