

**HONG FOK CORPORATION LIMITED**

(Co. Reg. No. 196700468N)

**Second Quarter Financial Statement for the Period Ended 30 June 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.**

Second quarter financial statement on consolidated results for the period ended 30 June 2011.  
These figures have not been audited.

	The Group		
	\$'000		%
	2nd Quarter 2011	2nd Quarter 2010	Increase/ (Decrease)
<b>Revenue</b> (Note 1)	13,561	14,196	(4)
Other income	74	78	(5)
	13,635	14,274	(4)
Cost of sales of development properties	(2,078)	(2,055)	1
Depreciation of fixed assets	(56)	(42)	33
Exchange loss, net	(1)	-	NM
Gain/(Loss) on remeasurement of other investments	12	(26)	NM
Impairment written back/(made) in trade and other receivables and bad debts written off, net	9	(25)	NM
Impairment loss written back on other assets	-	24	NM
Write-back of allowance for diminution in value of development properties	27	-	NM
Other expenses	(7,731)	(7,856)	(2)
	3,817	4,294	(11)
Finance expense	(2,270)	(2,320)	(2)
	1,547	1,974	(22)
Share of results of associates, net of tax	(400)	(634)	(37)
<b>Profit before income tax</b> (Note 2)	1,147	1,340	(14)
Income tax expense	(678)	(578)	17
<b>Profit for the period</b>	469	762	(38)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(3,104)	(593)	423
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(706)	(154)	358
Change in fair value of available-for-sale investments	-	34	NM
<b>Other comprehensive income for the period, net of income tax</b>	(3,810)	(713)	434
<b>Total comprehensive income for the period</b>	(3,341)	49	NM
	469	762	(38)
<b>Profit for the period attributable to Owners of the Company</b>	469	762	(38)
	(3,341)	49	NM
<b>Total comprehensive income for the period attributable to Owners of the Company</b>	(3,341)	49	NM

## Notes:

- (1) Included in Revenue is investment income of approximately \$38,000 (2010 : \$3,000).
- (2) Included in Profit before income tax is net profit on disposal of development properties of approximately \$221,000 (2010 : \$293,000).
- (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	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
<b>Non-current Assets</b>				
Fixed assets	362	312	-	-
Subsidiaries	-	-	233,093	238,310
Associates	146,075	153,056	-	-
Investment properties	1,106,654	1,104,803	-	-
Other assets	395	397	-	-
	1,253,486	1,258,568	233,093	238,310
<b>Current Assets</b>				
Other investments	446	675	-	-
Development properties	252,037	283,673	-	-
Trade and other receivables	3,172	2,369	9	3
Cash and cash equivalents	68,335	44,213	316	314
	323,990	330,930	325	317
<b>Total Assets</b>	1,577,476	1,589,498	233,418	238,627
<b>Equity Attributable to Owners of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Reserves	695,621	700,654	41,652	44,740
<b>Total Equity</b>	882,309	887,342	228,340	231,428
<b>Non-current Liabilities</b>				
Obligations under finance leases	33	56	-	-
Loans	604,542	606,388	-	-
Financial guarantees	-	-	210	2,349
Deferred tax liability	63,986	63,986	-	-
	668,561	670,430	210	2,349
<b>Current Liabilities</b>				
Bank overdraft	174	-	-	-
Trade and other payables	23,598	28,807	632	720
Obligations under finance leases	45	45	-	-
Financial guarantees	-	-	4,236	4,130
Tax payable	2,789	2,874	-	-
	26,606	31,726	4,868	4,850
<b>Total Liabilities</b>	695,167	702,156	5,078	7,199
<b>Total Equity and Liabilities</b>	1,577,476	1,589,498	233,418	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 30.06.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$219,000	-	\$45,000	-

**Amount repayable after one year**

As at 30.06.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$604,575,000	-	\$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	
2nd Quarter 2011	2nd Quarter 2010
<b>Operating Activities</b>	
Profit before income tax	1,340
Adjustments for:	
Share of results of associates, net of tax	634
Amortisation of transaction cost of loans	183
Depreciation of fixed assets	42
Gain on disposal of other investments	-
(Gain)/Loss on remeasurement of other investments	26
Impairment (written back)/made in trade and other receivables and bad debts written off, net	25
Impairment loss written back on other assets	(24)
Write-back of allowance for diminution in value of development properties	-
Interest income	(22)
Interest expense	2,137
	3,775
Changes in working capital:	
Development properties	7,388
Trade and other receivables	(26)
Trade and other payables	4,248
	1,986
Cash generated from operations	15,951
Income tax paid	(1,655)
Interest income received	14
Income tax refund	-
	1,122
<b>Cash Flows from Operating Activities</b>	<b>14,310</b>
<b>Investing Activities</b>	
Capital expenditure on investment properties	(214)
Purchase of fixed assets	(7)
Purchase of other investments	(11)
Proceeds from disposal of fixed assets	2
Proceeds from disposal of other investments	-
	(864)
<b>Cash Flows from Investing Activities</b>	<b>(230)</b>
<b>Financing Activities</b>	
Interest expense paid	(2,428)
Repayment of loans	(3,700)
Payment of finance lease rentals	(14)
	(3,226)
<b>Cash Flows from Financing Activities</b>	<b>(6,142)</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>7,938</b>
Cash and cash equivalents at 1 April	39,943
Effect of exchange rate fluctuations	-
	(1)
<b>Cash and Cash Equivalents at 30 June</b>	<b>47,881</b>
<b>Cash and Cash Equivalents at 30 June is represented by:</b>	
Cash at banks and in hand	2,442
Fixed deposits	46,000
Bank overdraft	(561)
	68,161
	47,881

Included in cash and cash equivalents as at 30 June 2011 is an amount held under the Housing Developers (Project Account) Rules of approximately \$67,574,000 (2010 : \$47,283,000) the use of which is subject to restriction imposed by the said Rules.

- 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 April 2010	186,688	2,414	(38,467)	653,710	804,345	
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	762	762	
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(593)	-	(593)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(154)	-	(154)	
Change in fair value of available-for-sale investments	-	34	-	-	34	
Total other comprehensive income	-	34	(747)	-	(713)	
<b>Total comprehensive income for the period</b>	-	34	(747)	762	49	
At 30 June 2010	186,688	2,448	(39,214)	654,472	804,394	
At 1 April 2011	186,688	2,467	(54,470)	750,965	885,650	
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	469	469	
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(3,104)	-	(3,104)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(706)	-	(706)	
Total other comprehensive income	-	-	(3,810)	-	(3,810)	
<b>Total comprehensive income for the period</b>	-	-	(3,810)	469	(3,341)	
At 30 June 2011	186,688	2,467	(58,280)	751,434	882,309	
<b>The Company</b>						
At 1 April 2010	186,688	-	-	49,159	235,847	
Loss for the period - Total comprehensive income for the period	-	-	-	(4,932)	(4,932)	
At 30 June 2010	186,688	-	-	44,227	230,915	
At 1 April 2011	186,688	-	-	42,209	228,897	
Loss for the period - Total comprehensive income for the period	-	-	-	(557)	(557)	
At 30 June 2011	186,688	-	-	41,652	228,340	

- 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

30.06.2011	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	
2nd Quarter 2011	2nd Quarter 2010
0.07 cts	0.12 cts
0.07 cts	0.12 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated profit for the period of approximately \$469,000 (2010 : \$762,000) and the weighted average number of ordinary shares outstanding of 659,554,698.

There are no potential dilutive ordinary shares in existence as at 30 June 2011 and 30 June 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	
30.06.2011	31.12.2010	30.06.2011	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 decreased approximately by \$0.6 million as compared to the previous period. This was due mainly to a decrease in rental income from its investment properties due to lower rental rates although occupancy rates remain relatively stable but this decrease was partially offset by an increase in property management income.

With the decrease in revenue, the Group reported a profit before share of results of associates of approximately \$1.5 million as compared to a profit of approximately \$2.0 million for the previous period.

The Group recorded a decrease in other investments due mainly to the sale of certain quoted equity securities, held for trading. There was also a decrease in development properties as the monies collected from the sale of the residential units of Concourse Skyline more than offset the increase in costs capitalised on the construction of Concourse Skyline.

The increase in trade and other receivables was mainly due to progressive amounts billed to the purchasers of Concourse Skyline and the recording of certain expenses prepaid for the construction of Concourse Skyline, which is in progress.

The increase in cash and cash equivalents arose from the monies collected from the sale of the residential units of Concourse Skyline placed in fixed deposits as the use of such monies is subject to restriction imposed by the Housing Developers (Project Account) Rules.

The decrease in trade and other payables was mainly due to payments for expenses and construction costs accrued last year.

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 expects the occupancy rate of the office property market to improve.

In accordance with the Group's accounting policy, the Group expects to commence recognising revenue from the residential units of Concourse Skyline in the third quarter 2011.

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**

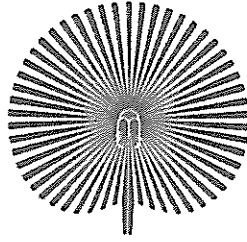
NA.

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

No dividend has been declared/recommended for the second quarter ended 30 June 2011.

**BY ORDER OF THE BOARD**

Koh Chay Tiang  
Dorothy Ho  
Company Secretaries  
12 August 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 Second Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 June 2011 to be false or misleading in any material respect.

On behalf of the Board of Directors

Cheong Sim Eng

Cheong Hooi Kheng

Singapore  
12 August 2011