

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Full Year Financial Statement And Dividend Announcement for the Year Ended 31 December 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.

Full year financial statement on consolidated results for the year ended 31 December 2011.
These figures have not been audited.

	The Group		
	\$'000		%
	2011	2010	Increase/ (Decrease)
Revenue (Note 1)	129,236	50,177	158
Other income	352	529	(33)
	129,588	50,706	156
Cost of sales of development properties	(66,365)	(2,055)	3,129
Depreciation of fixed assets	(249)	(187)	33
Exchange loss, net	-	(176)	NM
Gain on fair value of previously-held equity interest in associates	-	1,378	NM
Gain on revaluation of investment properties	151,071	88,242	71
Impairment in trade and other receivables and bad debts written off, net	(56)	(151)	(63)
Impairment loss written back on other assets	2	24	(92)
(Loss)/Gain on remeasurement of other investments	(140)	85	NM
Loss on dilution of interest in an associate	(6,328)	-	NM
Negative goodwill	-	233	NM
Write-back of allowance for diminution in value of development properties	49	-	NM
Other expenses	(29,612)	(28,670)	3
	177,960	109,429	63
Finance expense	(9,107)	(9,399)	(3)
	168,853	100,030	69
Share of results of associates, net of tax	(537)	15,584	NM
Profit before income tax (Note 2)	168,316	115,614	46
Income tax expense	(1,496)	(2,307)	(35)
Income tax expense - overprovision in prior years	-	7	NM
Deferred tax expense	(27,164)	(14,071)	93
Profit for the year	139,656	99,243	41
Other comprehensive income			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	927	(11,455)	NM
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	250	(2,872)	NM
Effect of realisation of exchange reserves previously-held as interest in associates	-	(824)	NM
Change in fair value of available-for-sale investments	173	88	97
Other comprehensive income for the year, net of income tax	1,350	(15,063)	NM
Total comprehensive income for the year	141,006	84,180	68
Profit for the year attributable to Owners of the Company	139,656	99,243	41
Total comprehensive income for the year attributable to Owners of the Company	141,006	84,180	68

Notes:

- (1) Included in Revenue is investment income of approximately \$42,000 (2010 : \$25,000).
- (2) Included in Profit before income tax is net profit on sale of development properties of approximately \$19,019,000 (2010 : \$293,000).
- (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	
	2011	2010	2011	2010
Non-current Assets				
Fixed assets	346	312	-	-
Subsidiaries	-	-	234,616	238,310
Associates	147,574	153,056	-	-
Investment properties	1,257,660	1,104,803	-	-
Other assets	399	397	-	-
	1,405,979	1,258,568	234,616	238,310
Current Assets				
Other investments	311	675	-	-
Development properties	280,567	283,673	-	-
Trade and other receivables	3,022	2,369	3	3
Cash and cash equivalents	57,008	44,213	314	314
	340,908	330,930	317	317
Total Assets	1,746,887	1,589,498	234,933	238,627
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Reserves	841,660	700,654	45,149	44,740
Total Equity	1,028,348	887,342	231,837	231,428
Non-current Liabilities				
Trade and other payables	1,644	-	-	-
Obligations under finance leases	11	56	-	-
Loans	598,253	606,388	-	-
Financial guarantees	-	-	-	2,349
Deferred tax liability	91,150	63,986	-	-
	691,058	670,430	-	2,349
Current Liabilities				
Trade and other payables	25,216	28,807	747	720
Obligations under finance leases	45	45	-	-
Financial guarantees	-	-	2,349	4,130
Tax payable	2,220	2,874	-	-
	27,481	31,726	3,096	4,850
Total Liabilities	718,539	702,156	3,096	7,199
Total Equity and Liabilities	1,746,887	1,589,498	234,933	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 31.12.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$45,000	-	\$45,000	-

Amount repayable after one year

As at 31.12.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
\$598,264,000	-	\$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 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	
2011	2010
Operating Activities	
Profit before income tax	115,614
Adjustments for:	
Share of results of associates, net of tax	(15,584)
Amortisation of transaction cost of loans	732
Depreciation of fixed assets	187
Gain on disposal of other investments	(13)
Gain on fair value of previously-held equity interest in associates	(1,378)
Gain on revaluation of investment properties	(88,242)
Loss/(Gain) on remeasurement of other investments	(85)
Loss on dilution of interest in an associate	-
Impairment in trade and other receivables and bad debts written off, net	151
Impairment loss written back on other assets	(24)
Negative goodwill	(233)
Write-back of allowance for diminution in value of development properties	-
Interest income	(94)
Interest expense	8,667
	33,507
Changes in working capital:	
Development properties	2,855
Trade and other receivables	893
Trade and other payables	5,831
Cash generated from operations	29,277
Income tax paid	(2,470)
Interest income received	77
Income tax refund	-
	32,514
Cash Flows from Operating Activities	26,884
Investing Activities	
Capital expenditure on investment properties	(1,737)
Purchase of fixed assets	(50)
Purchase of other investments	(11)
Proceeds from disposal of fixed assets	3
Proceeds from disposal of other investments	117
Acquisition of a subsidiary, net of cash acquired	(9,492)
	(1,812)
Cash Flows from Investing Activities	(11,170)
Financing Activities	
Interest expense paid	(9,202)
Payment of finance lease rentals	(54)
Repayment of loans	(8,700)
Proceeds from loans	4,473
	(17,907)
Cash Flows from Financing Activities	(13,483)
Net Increase in Cash and Cash Equivalents	2,231
Cash and cash equivalents at 1 January	42,449
Effect of exchange rate fluctuations	(467)
	57,008
Cash and Cash Equivalents at 31 December	44,213
Cash and Cash Equivalents at 31 December is represented by:	
Cash at banks and in hand	2,213
Fixed deposits	42,000
	57,008
	44,213

Included in cash and cash equivalents as at 31 December 2011 is an amount held under the Housing Developers (Project Account) Rules of approximately \$56,098,000 (2010 : \$42,497,000) the use of which is subject to restriction imposed by the said Rules.

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		
2010		
Carrying Amounts	Fair Value Adjustments	Recognised Values
Fixed assets	20	20
Development properties	12,500	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)	(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	
The Group						
At 1 January 2010	186,688	2,379	(36,683)	650,778	803,162	
Total comprehensive income for the year						
Profit for the year	-	-	-	99,243	99,243	
Other comprehensive income						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	(11,455)	-	(11,455)	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	(2,872)	-	(2,872)	
Effect of realisation of exchange reserves previously-held as interest in associates	-	-	(824)	-	(824)	
Change in fair value of available-for-sale investments	-	88	-	-	88	
Total other comprehensive income	-	88	(15,151)	-	(15,063)	
Total comprehensive income for the year	-	88	(15,151)	99,243	84,180	
At 31 December 2010	186,688	2,467	(51,834)	750,021	887,342	
At 1 January 2011	186,688	2,467	(51,834)	750,021	887,342	
Total comprehensive income for the year						
Profit for the year	-	-	-	139,656	139,656	
Other comprehensive income						
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	-	927	-	927	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	250	-	250	
Change in fair value of available-for-sale investments	-	173	-	-	173	
Total other comprehensive income	-	173	1,177	-	1,350	
Total comprehensive income for the year	-	173	1,177	139,656	141,006	
At 31 December 2011	186,688	2,640	(50,657)	889,677	1,028,348	
The Company						
At 1 January 2010	186,688	-	-	32,680	219,368	
Profit for the year - Total comprehensive income for the year	-	-	-	12,060	12,060	
At 31 December 2010	186,688	-	-	44,740	231,428	
At 1 January 2011	186,688	-	-	44,740	231,428	
Profit for the year - Total comprehensive income for the year	-	-	-	409	409	
At 31 December 2011	186,688	-	-	45,149	231,837	

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

2011	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 year 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	
2011	2010
21.17 cts	15.05 cts
21.17 cts	15.05 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated profit for the year of approximately \$139,656,000 (2010 : \$99,243,000) 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 December 2011 and 31 December 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	
2011	2010	2011	2010
156 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 2011 increased from approximately \$50.2 million to \$129.2 million. This was mainly due to the commencement of the recognition of sales revenue from the residential units of Concourse Skyline based on the percentage of completion method and sales revenue from its completed development properties. However, there was a decrease in rental income from its investment properties due to lower rental rates, although occupancy rates remain relatively stable.

The Group's other income decreased mainly due to lower compensation income relating to the leases of its investment properties.

With the recognition of the sales revenue from the residential units of Concourse Skyline and its completed development properties, the Group recorded the cost of sales of these properties.

There was a significant gain on the revaluation of its investment properties, as assessed by professional valuers.

The Group incurred a loss on remeasurement of other investments due to the recorded bid price being lower as compared to 2010.

There was a loss on dilution of interest in an associate arising from the issuance and allotment of shares for the purchase of certain properties in Singapore.

The associates contributed a loss in 2011 as compared to a profit in the previous year due mainly to a smaller gain on revaluation of its investment properties in Hong Kong, as assessed by professional valuers.

There was an increase in deferred tax expense in line with the recognition of profits from Concourse Skyline and the gain on revaluation of the Group's investment properties as at December 2011. Correspondingly, there was an increase in deferred tax liability for 2011.

The Group's profit for the year, therefore, increased by approximately \$40.4 million as compared to the previous year.

The Group recorded an increase in value of its investment properties due to the revaluation of these properties as at December 2011.

There was a decrease in other investments due mainly to the sale of certain quoted equity securities and its loss on remeasurement.

The increase in trade and other receivables was mainly due to progressive amounts billed to purchasers of Concourse Skyline.

The increase in cash and cash equivalents arose from the monies collected from the sales of 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 trade and other payables under non-current liabilities were attributed to retention sum payable to contractors for work done on properties under development.

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 remain stable.

The Group will continue to recognise revenue from the sold residential units of Concourse Skyline based on the percentage of completion method.

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.

No dividend has been declared/recommendeded for the year ended 31 December 2011.

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.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **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 and Construction	Property Management	Other Operations	Total
2011					
External revenue	42,591	85,597	1,006	42	129,236
Inter-segment revenue	161	23,541	264	-	23,966
Reportable segment revenue	42,752	109,138	1,270	42	153,202
Reportable segment profit/(loss) before income tax	163,275	12,396	200	(690)	175,181
Elimination of inter-segment profit	-	-	-	-	-
Other profit or loss items *					175,181
Loss on dilution of interest in an associate					(6,328)
Share of results of associates, net of tax					168,853
Income tax expense					(537)
Profit for the year					(28,660)
					139,656
2010					
External revenue	46,411	2,736	1,005	25	50,177
Inter-segment revenue	161	15,214	275	-	15,650
Reportable segment revenue	46,572	17,950	1,280	25	65,827
Reportable segment profit/(loss) before income tax	105,256	(6,413)	210	(634)	98,419
Elimination of inter-segment profit	-	-	-	-	-
Other profit or loss items *					98,419
Gain on fair value of previously-held equity interest in associates					1,378
Negative goodwill					233
Share of results of associates, net of tax					100,030
Income tax expense					15,584
Profit for the year					(16,371)
					99,243

* These relate to the non-recurring loss on dilution of interest in an associate for 2011 and non-recurring gain on fair value of previously-held equity interest in associates and negative goodwill for 2010.

As most of the Group's segment revenue and results arise from Singapore, no further breakdown by geographical location is presented.

15. **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.

16. A breakdown of sales as follows:

The Group				
		\$'000	%	
		2011	2010	
		Increase/ (Decrease)		
(a)	Sales reported for first half year	25,629	26,185	(2)
(b)	Profit after income tax before deducting non-controlling interest reported for first half year	1,413	3,694	(62)
(c)	Sales reported for second half year	103,607	23,992	332
(d)	Profit after income tax before deducting non-controlling interest reported for second half year	138,243	95,549	45

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

The Company			
\$'000			
	2011	2010	
(a)	Ordinary	-	-
(b)	Preference	-	-
(c)	Total	-	-

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below.

Name	Age	Family relationship with any director or chief executive officer or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mr Cheong Kim Pong	69	<p>Brother of Mr Cheong Pin Chuan and Mr Cheong Sim Eng, who are Directors and Substantial Shareholders of the Company.</p> <p>Brother of Mdm Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Brother-in-law of Mr Tan Tock Han, who is a Director of the Company.</p> <p>Brother of Mr Cheong Pin Seng, who is a Substantial Shareholder of the Company.</p>	<p>Chairman with effect from 18 April 1984 and Managing Director with effect from 4 September 1981.</p> <p>Responsible for the Group's overall operations and management with greater emphasis in Singapore.</p>	Nil

Name	Age	Family relationship with any director or chief executive officer or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mr Cheong Pin Chuan	62	<p>Brother of Mr Cheong Kim Pong and Mr Cheong Sim Eng, who are Directors and Substantial Shareholders of the Company.</p> <p>Brother of Mdm Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Brother-in-law of Mr Tan Tock Han, who is a Director of the Company.</p> <p>Brother of Mr Cheong Pin Seng, who is a Substantial Shareholder of the Company.</p>	<p>Managing Director with effect from 4 September 1981.</p> <p>Responsible for the Group's overall operations and management with greater emphasis in Hong Kong.</p>	Nil
Mdm Cheong Puay Kheng	57	<p>Sister of Mr Cheong Kim Pong, Mr Cheong Pin Chuan and Mr Cheong Sim Eng, who are Directors and Substantial Shareholders of the Company.</p> <p>Sister of Mdm Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Sister-in-law of Mr Tan Tock Han, who is a Director of the Company.</p> <p>Sister of Mr Cheong Pin Seng, who is a Substantial Shareholder of the Company.</p>	<p>Vice President (Administration & Personnel) with effect from 1 August 1995.</p> <p>Her job responsibilities essentially cover the planning, organisation and control of office administration and personnel management of the Group.</p>	Nil
Mdm Cheong Loo Kheng	53	<p>Sister of Mr Cheong Kim Pong, Mr Cheong Pin Chuan, and Mr Cheong Sim Eng, who are Directors and Substantial Shareholders of the Company.</p> <p>Sister of Mdm Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Sister-in-law of Mr Tan Tock Han, who is a Director of the Company.</p> <p>Sister of Mr Cheong Pin Seng, who is a Substantial Shareholder of the Company.</p>	<p>Vice President (Property Maintenance) with effect from 1 August 1995.</p> <p>She oversees the management and maintenance of some of the Group's properties in Singapore.</p>	Nil

Name	Age	Family relationship with any director or chief executive officer or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mr Cheong Aik Yen, Roy	46	<p>Son of Mr Cheong Kim Pong, who is a Director and Substantial Shareholder of the Company.</p> <p>Nephew of Mr Cheong Pin Chuan and Mr Cheong Sim Eng, who are Directors and Substantial Shareholders of the Company.</p> <p>Nephew of Mdm Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Nephew of Mr Cheong Pin Seng, who is a Substantial Shareholder of the Company.</p>	<p>Personal Assistant to Directors with effect from 1 December 2003.</p> <p>His job responsibilities cover identification and development of new business opportunities in the construction and property industry as well as other areas.</p>	Nil

BY ORDER OF THE BOARD

Koh Chay Tiang
Dorothy Ho
Company Secretaries
28 February 2012