

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

First Quarter Financial Statement Announcement for the Period Ended 31 March 2018

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 2018.
These figures have not been audited.

	The Group		
	\$'000		%
	1st Quarter 2018	1st Quarter 2017	Increase/ (Decrease)
Revenue (Note 1)	17,740	14,153	25
Other income (Note 2)	41	126	(67)
	17,781	14,279	25
Depreciation of property, plant and equipment	(125)	(237)	(47)
Exchange gain, net	93	47	98
Changes in fair value of other investments at fair value through profit or loss	15	34	(56)
Impairment loss written back on trade and other receivables, net	-	25	NM
Impairment loss written back/(impairment loss) on other assets	34	(13)	NM
Other expenses	(10,232)	(11,456)	(11)
	7,566	2,679	182
Finance income	155	132	17
Finance expense	(6,274)	(5,458)	15
Net finance expense	(6,119)	(5,326)	15
	1,447	(2,647)	NM
Profit/(Loss) before tax			
Tax expense	(885)	(675)	31
Profit/(Loss) for the period	562	(3,322)	NM
Profit/(Loss) attributable to:			
Owners of the Company	1,483	(1,593)	NM
Non-controlling interests	(921)	(1,729)	(47)
Profit/(Loss) for the period	562	(3,322)	NM
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	(9,575)	(15,439)	(38)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	(618)	(1,066)	(42)
Other comprehensive income for the period, net of tax	(10,193)	(16,505)	(38)
Total comprehensive income for the period	(9,631)	(19,827)	(51)
Total comprehensive income attributable to:			
Owners of the Company	(2,330)	(7,677)	(70)
Non-controlling interests	(7,301)	(12,150)	(40)
Total comprehensive income for the period	(9,631)	(19,827)	(51)

Notes:

- (1) Included in Revenue is investment income of approximately \$6,000 (2017 : \$Nil)
- (2) Included in Other income is gain on disposal of property, plant and equipment of approximately \$Nil (2017 : \$33,000).
- (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	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Non-current Assets				
Property, plant and equipment	2,796	2,188	-	-
Subsidiaries	-	-	853,107	853,107
Associate and joint venture	#	#	-	-
Investment properties	2,815,995	2,823,134	-	-
Other assets	208	175	-	-
Pledged bank deposits	7,797	7,550	-	-
Deferred tax assets	744	645	-	-
	2,827,540	2,833,692	853,107	853,107
Current Assets				
Other investments	402	1,781	-	-
Current tax assets	129	133	-	-
Development properties	236,482	236,482	-	-
Trade and other receivables	4,285	9,220	39	29
Amounts due from subsidiaries	-	-	387,228	491,605
Cash and cash equivalents	59,960	50,636	696	747
	301,258	298,252	387,963	492,381
Total Assets	3,128,798	3,131,944	1,241,070	1,345,488
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,622,425	1,624,755	677,768	678,654
	1,708,063	1,710,393	864,456	865,342
Non-controlling interests	532,072	539,373	-	-
Total Equity	2,240,135	2,249,766	864,456	865,342
Non-current Liabilities				
Loans and borrowings	693,203	620,586	-	119,805
Trade and other payables	11,708	11,685	-	-
Deferred tax liabilities	399	389	-	-
	705,310	632,660	-	119,805
Current Liabilities				
Loans and borrowings	124,405	178,177	119,845	99,979
Trade and other payables	52,033	65,393	1,154	4,747
Amounts due to subsidiaries	-	-	255,615	255,615
Current tax liabilities	6,915	5,948	-	-
	183,353	249,518	376,614	360,341
Total Liabilities	888,663	882,178	376,614	480,146
Total Equity and Liabilities	3,128,798	3,131,944	1,241,070	1,345,488

Amount less than \$1,000

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 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$4,539,000	\$119,866,000	\$78,160,000	\$100,017,000

Amount repayable after one year

As at 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$652,614,000	\$40,589,000	\$459,435,000	\$161,151,000

Details of any collaterals

The borrowings by the subsidiaries are generally secured by the Group's certain investment properties and certain development properties and are guaranteed by the Company and/or its subsidiaries.

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	
	1st Quarter 2018	1st Quarter 2017
Cash Flows from Operating Activities		
Profit/(Loss) before tax	1,447	(2,647)
Adjustments for:		
Depreciation of property, plant and equipment	125	237
Changes in fair value of other investments at fair value through profit or loss	(15)	(34)
Gain on disposal of property, plant and equipment	-	(33)
Gain on disposal of other investments	(6)	-
Impairment loss written back on trade and other receivables, net	-	(25)
(Impairment loss written back)/Impairment loss on other assets	(34)	13
Finance income	(155)	(132)
Finance expense	6,274	5,458
	7,636	2,837
Changes in working capital:		
Trade and other receivables	445	(202)
Trade and other payables	(8,916)	(11,674)
Cash used in operations	(835)	(9,039)
Tax paid	(16)	#
Net Cash used in Operating Activities	(851)	(9,039)
Cash Flows from Investing Activities		
Capital expenditure on investment properties	(3,253)	(18,356)
Increase in restricted cash	(74)	-
Purchase of property, plant and equipment	(746)	(263)
Purchase of other assets	-	(5)
Proceeds from disposal other investments	1,367	-
Proceeds from disposal of property, plant and equipment	-	33
Interest received	185	129
Net Cash used in Investing Activities	(2,521)	(18,462)
Cash Flows from Financing Activities		
(Increase)/Decrease in pledged bank deposits	(349)	77
Interest paid	(9,779)	(8,384)
Payment of finance lease liabilities	(5)	(2)
Payment of transaction costs on loans and borrowings	(180)	(7,141)
Repayments of loans and borrowings	(173,636)	(776,236)
Proceeds from loans and borrowings	197,650	813,500
Net Cash from Financing Activities	13,701	21,814
Net Increase/(Decrease) in Cash and Cash Equivalents	10,329	(5,687)
Cash and cash equivalents at 1 January	50,625	77,370
Effect of exchange rate fluctuations on cash held	(1,079)	(2,656)
Cash and Cash Equivalents at 31 March	59,875	69,027
Cash and Cash Equivalents at 31 March is represented by:		
Cash at banks and in hand	19,090	3,724
Deposits	48,667	71,601
Cash and cash equivalents	67,757	75,325
Less: Pledged bank deposits (non-current)	(7,797)	(6,298)
	59,960	69,027
Less: Restricted cash	(85)	-
	59,875	69,027

Amount less than \$1,000

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							Total Equity
	Attributable to Owners of the Company						Non-Controlling Interests	
	Share Capital	Capital and Other Reserves	Treasury Shares	Translation Reserves	Retained Profit	Total		
The Group								
At 1 January 2017, as previously reported	186,688	2,472	(101,050)	(26,774)	1,492,358	1,553,694	518,676	2,072,370
Effect of adopting SFRS(I) 1	-	-	-	26,774	(26,774)	-	-	-
At 1 January 2017, as restated	186,688	2,472	(101,050)	-	1,465,584	1,553,694	518,676	2,072,370
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,593)	(1,593)	(1,729)	(3,322)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(4)	-	(5,014)	-	(5,018)	(10,421)	(15,439)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(1,066)	-	(1,066)	-	(1,066)
Total other comprehensive income, net of tax	-	(4)	-	(6,080)	-	(6,084)	(10,421)	(16,505)
Total comprehensive income for the period, restated	-	(4)	-	(6,080)	(1,593)	(7,677)	(12,150)	(19,827)
At 31 March 2017, as restated	186,688	2,468	(101,050)	(6,080)	1,463,991	1,546,017	506,526	2,052,543
The Group								
At 31 December 2017, as previously reported	186,688	2,470	(101,050)	(41,213)	1,663,498	1,710,393	539,373	2,249,766
Effect of adopting SFRS(I) 1	-	-	-	26,774	(26,774)	-	-	-
At 1 January 2018, as restated	186,688	2,470	(101,050)	(14,439)	1,636,724	1,710,393	539,373	2,249,766
Total comprehensive income for the period								
Profit/(Loss) for the period	-	-	-	-	1,483	1,483	(921)	562
Other comprehensive income								
Exchange differences on translation of financial statements of foreign subsidiaries	-	(4)	-	(3,191)	-	(3,195)	(6,380)	(9,575)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	(618)	-	(618)	-	(618)
Total other comprehensive income, net of tax	-	(4)	-	(3,809)	-	(3,813)	(6,380)	(10,193)
Total comprehensive income for the period	-	(4)	-	(3,809)	1,483	(2,330)	(7,301)	(9,631)
At 31 March 2018	186,688	2,466	(101,050)	(18,248)	1,638,207	1,708,063	532,072	2,240,135
The Company								
At 1 January 2017	186,688	-	-	-	72,182	258,870	-	258,870
Profit and total comprehensive income for the period	-	-	-	-	618,271	618,271	-	618,271
At 31 March 2017	186,688	-	-	-	690,453	877,141	-	877,141
The Company								
At 1 January 2018	186,688	-	-	-	678,654	865,342	-	865,342
Loss and total comprehensive income for the period	-	-	-	-	(886)	(886)	-	(886)
At 31 March 2018	186,688	-	-	-	677,768	864,456	-	864,456

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate 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.

The Company	
31.03.2018	31.12.2017
870,612,140	870,612,140

Total number of issued shares excluding treasury shares

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

NA.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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, 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 2017.

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.

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)s"), which comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I).

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2017, except for the adoption of the SFRS(I) framework as described above and the new/revised SFRS(I) applicable for the financial period beginning 1 January 2018 as follows:

- SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*;
- SFRS(I) 15 *Revenue from Contracts with Customers*; and
- SFRS(I) 9 *Financial Instruments*.

The application of the above standards did not have any significant impact on the Company's and the Group's financial statements except as below.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

In adopting the new framework, the Group is required to apply the specific transition requirements in SFRS(I). The Group has applied SFRS(I) with 1 January 2017 as the date of transition for the Group and the Company, on a retrospective basis, as if such accounting policies had always been applied. SFRS(I) 1 provides mandatory exemptions and optional exemptions from retrospective application. The Group has elected various optional exemptions in SFRS(I) 1, including resetting the foreign currency translation reserve ("FCTR") to zero.

As a result, the cumulative FCTR has increased by approximately \$26,774,000 and retained profit has decreased by the same amount as at 1 January 2017 and 31 December 2017. FCTR and retained profit are included in "reserves" in the consolidated statement of financial position.

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 2018	1st Quarter 2017
0.21 cts	(0.23) cts
0.21 cts	(0.23) cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated profit attributable to ordinary shareholders for the period of approximately \$1,483,000 (2017 : loss of \$1,593,000) and the weighted average number of ordinary shares outstanding of 693,022,508 (2017 : 693,022,508) which excludes ordinary shares held by an investee.

There are no potential dilutive ordinary shares in existence as at 31 March 2018 and 31 March 2017.

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 and excluding ordinary shares held by an investee

The Group		The Company	
31.03.2018	31.12.2017	31.03.2018	31.12.2017
246 cts	247 cts	99 cts	99 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 increased from approximately \$14.2 million to \$17.7 million. This was mainly due to contribution from its hotel, YOTEL Singapore Orchard Road ("YOTEL") in this current period. YOTEL commenced operations only in the last quarter of 2017.

The decrease in Group's other income of approximately \$0.09 million was mainly due to lower government grants/schemes and absence of gain on disposal of property, plant and equipment and licence fees from its investment properties.

The depreciation expense in the first quarter of 2017 was higher than the current quarter because certain office equipment was fully depreciated in that quarter.

The increase in finance expense for the current period as compared to the previous period was mainly due to the non-capitalisation of interest expense, increases in loans and borrowings and higher amortised transaction costs on loans.

The Group posted a profit of approximately \$0.6 million as compared to a loss of approximately \$3.3 million in the corresponding previous period.

Consequently, the Group's profit attributable to owners of the Company was approximately \$1.5 million as compared to a loss of approximately \$1.6 million in the previous corresponding period.

The increase in the Group's property, plant and equipment was mainly due to the purchase of furniture and fittings for the residential units of its investment property in Hong Kong that was recently renovated.

The decrease in the Group's other investments was mainly due to the redemption of the 5.7% fixed rate notes due January 2018 by its investee in Hong Kong.

The decrease in trade and other receivables was mainly due to the reclassification of transaction costs paid in December 2017, which was previously classified as prepayments, to loans and borrowings in the current period as the new loan was effected in January 2018.

The Group's increase in loans and borrowings (non-current) was due mainly to the reclassification of certain loans and borrowings due in the first quarter of 2018 being repaid with new loans in this current period. This was partially offset by the reclassification of \$120 million in principal amount of unsecured fixed rates due in the first quarter of 2019 from non-current in 2017 to current liabilities in this current period. Hence, the Group also recorded a decrease in loans and borrowings (current) as at 31 March 2018 as compared to 31 December 2017. The Group is confident that these notes can be refinanced or repaid from its available undrawn facilities by its due date. There was also an increase in loans to pay for accrued expenses and working capital requirements.

The decrease in trade and other payables was mainly due to the payments of staff costs, accrued development costs and interest expense accrued as at 31 December 2017.

The increase in current tax liabilities was mainly due to the provision of tax expense during this period.

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 expected to recognise sales of some of the residential units of Concourse Skyline in the second quarter of 2018 and the Group hopes to achieve more sales. The Group's investment properties, including YOTEL will continue to contribute recurring income for the Group.

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 first quarter ended 31 March 2018.

- 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.

- 14. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).**

The Directors confirm that, to the best of their 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 2018 to be false or misleading in any material aspect.

- 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set in Appendix 7.7) under Rule 720(1).**

The Company has procured the undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Lo Swee Oi
Koh Chay Tiang
Company Secretaries
14 May 2018