

# HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

## Second Quarter Financial Statement Announcement for the Period Ended 30 June 2019

### 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 2019.  
These figures have not been audited.

	The Group		
	\$'000		%
	2nd Quarter 2019	2nd Quarter 2018	Increase/ (Decrease)
<b>Revenue</b> (Note 1)	20,045	30,873	(35)
Other income	19	30	(37)
	20,064	30,903	(35)
Commitment fee on unutilised bank facilities	(393)	(459)	(14)
Cost of sales of development properties	-	(9,561)	NM
Depreciation of property, plant and equipment	(214)	(256)	(16)
Depreciation of right-of-use asset	(237)	-	NM
Employee benefit expenses	(4,600)	(4,613)	-
Exchange (loss)/gain, net	(80)	536	NM
Changes in fair value of other investments at fair value through profit or loss	1,039	(38)	NM
Impairment loss on trade receivables, net	(29)	(117)	(75)
Impairment (loss)/write back on other assets	(4)	2	NM
Maintenance expenses	(2,783)	(2,104)	32
Operating lease expenses	(68)	(293)	(77)
Property tax	(1,589)	(969)	64
Rental commission	(122)	(141)	(13)
Other expenses	(1,354)	(2,001)	(32)
	9,630	10,889	(12)
Finance income	511	638	(20)
Finance expense	(7,877)	(6,625)	19
Net finance expense	(7,366)	(5,987)	23
<b>Profit before tax</b> (Note 2)	2,264	4,902	(54)
Tax expense	(772)	(1,527)	(49)
<b>Profit for the period</b>	1,492	3,375	(56)
<b>Profit attributable to:</b>			
Owners of the Company	2,349	4,081	(42)
Non-controlling interests	(857)	(706)	21
<b>Profit for the period</b>	1,492	3,375	(56)
<b>Other comprehensive income, net of tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign subsidiaries	1,832	16,146	(89)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	86	1,059	(92)
<b>Other comprehensive income for the period, net of tax</b>	1,918	17,205	(89)
<b>Total comprehensive income for the period</b>	3,410	20,580	(83)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	3,073	10,525	(71)
Non-controlling interests	337	10,055	(97)
<b>Total comprehensive income for the period</b>	3,410	20,580	(83)

**Notes:**

- (1) Included in Revenue is investment income of approximately \$278,000 (2018 : \$3,000).
- (2) Included in Profit before tax is net profit on sale of development properties of approximately \$Nil (2018 : \$3,423,000) and loss on disposal of property, plant and equipment of approximately \$2,000 (2018 : \$Nil).
- (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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
<b>Non-current Assets</b>				
Property, plant and equipment	3,422	2,879	-	-
Right-of-use asset	1,810	-	-	-
Subsidiaries	-	-	855,260	855,260
Associate and joint venture	#	#	-	-
Investment properties	3,090,512	3,091,745	-	-
Other assets	214	217	-	-
Other investments	667	700	-	-
Pledged bank deposits	10,133	9,303	-	-
Deferred tax assets	1,055	1,079	-	-
	3,107,813	3,105,923	855,260	855,260
<b>Current Assets</b>				
Other investments	30,694	17,973	-	-
Current tax assets	134	215	-	-
Development properties	195,609	198,941	-	-
Trade and other receivables	4,705	4,945	66	29
Amounts due from subsidiaries	-	-	343,281	385,220
Cash and cash equivalents	51,067	50,229	1,037	888
	282,209	272,303	344,384	386,137
Non-current asset held for sale	-	1,720	-	-
	282,209	274,023	344,384	386,137
<b>Total Assets</b>	3,390,022	3,379,946	1,199,644	1,241,397
<b>Equity Attributable to Owners of the Company</b>				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(109,191)	(101,050)	(8,141)	-
Reserves	1,813,023	1,810,076	657,121	669,191
	1,890,520	1,895,714	835,668	855,879
Non-controlling interests	619,515	632,751	-	-
<b>Total Equity</b>	2,510,035	2,528,465	835,668	855,879
<b>Non-current Liabilities</b>				
Loans and borrowings	812,684	653,991	99,174	-
Trade and other payables	11,506	11,755	-	-
Lease liabilities	888	-	-	-
Deferred tax liabilities	383	408	-	-
	825,461	666,154	99,174	-
<b>Current Liabilities</b>				
Loans and borrowings	1,020	122,628	-	119,964
Trade and other payables	43,714	53,316	2,290	2,741
Lease liabilities	944	-	-	-
Contract liabilities	44	27	-	-
Amounts due to subsidiaries	-	-	262,512	262,813
Current tax liabilities	8,804	9,356	-	-
	54,526	185,327	264,802	385,518
<b>Total Liabilities</b>	879,987	851,481	363,976	385,518
<b>Total Equity and Liabilities</b>	3,390,022	3,379,946	1,199,644	1,241,397

# 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 30.06.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$1,020,000	-	\$2,664,000	\$119,964,000

**Amount repayable after one year**

As at 30.06.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
\$675,576,000	\$137,108,000	\$617,193,000	\$36,798,000

## 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	
2nd Quarter 2019	2nd Quarter 2018
<b>Cash Flows from Operating Activities</b>	
Profit before tax	4,902
Adjustments for:	
Depreciation of property, plant and equipment	256
Depreciation of right-of-use asset	-
Loss on disposal of property, plant and equipment	-
Impairment loss on trade receivables, net	117
Impairment loss/(write back) on other assets	(2)
Changes in fair value of other investments at fair value through profit or loss	38
Finance income	(638)
Finance expense	6,625
	9,077
Changes in working capital:	
Development properties	8,996
Trade and other receivables	(1,694)
Trade and other payables	(3,359)
Contract liabilities	16
Cash generated from operations	15,257
Tax paid	(1,413)
<b>Net Cash from Operating Activities</b>	<b>13,844</b>
<b>Cash Flows from Investing Activities</b>	
Capital expenditure on investment properties	(1,802)
Increase in restricted cash	(50)
Proceeds from disposal of property, plant and equipment	6
Proceeds from disposal of other investments	7,350
Purchase of property, plant and equipment	(212)
Purchase of other investments	(22,745)
Interest received	524
<b>Net Cash used in Investing Activities</b>	<b>(16,929)</b>
<b>Cash Flows from Financing Activities</b>	
Increase in pledged bank deposits	(843)
Interest paid	(4,145)
Dividend paid	(6,930)
Payment of lease liabilities and finance lease liabilities	(5)
Payment of acquisition of interests in subsidiaries	-
Repayments of loans and borrowings	(5,848)
Proceeds from loans and borrowings	8,200
Purchase of treasury shares	-
<b>Net Cash from/(used in) Financing Activities</b>	<b>(9,571)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(12,656)</b>
Cash and cash equivalents at beginning of the period	59,875
Effect of exchange rate fluctuations on cash and cash equivalents held	1,728
<b>Cash and Cash Equivalents at end of the period</b>	<b>48,947</b>
<b>Cash and Cash Equivalents at 30 June is represented by:</b>	
Cash at banks and in hand	7,405
Deposits	50,503
Cash and cash equivalents	57,908
Less: Pledged bank deposits (non-current)	(8,826)
	49,082
Less: Restricted cash	(135)
	48,947

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	Treasury Shares	Translation Reserves	Retained Profit	Total			
<b>The Group</b>								
At 1 April 2018	186,688	2,466	(101,050)	(18,248)	1,638,207	1,708,063	532,072	2,240,135
<b>Total comprehensive income for the period</b>								
Profit/(Loss) for the period	-	-	-	-	4,081	4,081	(706)	3,375
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of foreign subsidiaries	-	5	-	5,380	-	5,385	10,761	16,146
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	1,059	-	1,059	-	1,059
Total other comprehensive income, net of tax	-	5	-	6,439	-	6,444	10,761	17,205
<b>Total comprehensive income for the period</b>	-	5	-	6,439	4,081	10,525	10,055	20,580
<b>Transactions with Owners, recorded directly in Equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(6,930)	(6,930)	-	(6,930)
<b>Total transactions with Owners</b>	-	-	-	-	(6,930)	(6,930)	-	(6,930)
At 30 June 2018	186,688	2,471	(101,050)	(11,809)	1,635,358	1,711,658	542,127	2,253,785
At 1 April 2019	186,688	2,284	(107,007)	(12,737)	1,824,167	1,893,395	629,444	2,522,839
<b>Total comprehensive income for the period</b>								
Profit/(Loss) for the period	-	-	-	-	2,349	2,349	(857)	1,492
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of foreign subsidiaries	-	1	-	637	-	638	1,194	1,832
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	86	-	86	-	86
Total other comprehensive income, net of tax	-	1	-	723	-	724	1,194	1,918
<b>Total comprehensive income for the period</b>	-	1	-	723	2,349	3,073	337	3,410
<b>Transactions with Owners, recorded directly in Equity</b>								
<b>Distributions to Owners</b>								
Own shares acquired	-	-	(2,184)	-	-	(2,184)	-	(2,184)
Dividend paid	-	-	-	-	(8,890)	(8,890)	-	(8,890)
<b>Total distributions to Owners</b>	-	-	(2,184)	-	(8,890)	(11,074)	-	(11,074)
<b>Changes in ownership interests in subsidiaries</b>								
Acquisition of additional interest in subsidiaries	-	(328)	-	-	5,454	5,126	(10,266)	(5,140)
<b>Total changes in ownership interests in subsidiaries</b>	-	(328)	-	-	5,454	5,126	(10,266)	(5,140)
<b>Total transactions with Owners</b>	-	(328)	(2,184)	-	(3,436)	(5,948)	(10,266)	(16,214)
At 30 June 2019	186,688	1,957	(109,191)	(12,014)	1,823,080	1,890,520	619,515	2,510,035

		\$'000						
		Attributable to Owners of the Company					Non-Controlling Interests	Total Equity
Share Capital	Capital and Other Reserves	Treasury Shares	Translation Reserves	Retained Profit	Total			
<b>The Company</b>								
At 1 April 2018	186,688	-	-	-	677,768	864,456	-	864,456
Profit and total comprehensive income for the period	-	-	-	-	653	653	-	653
<b>Transactions with Owners, recorded directly in Equity</b>								
<b>Distributions to Owners</b>								
Dividend paid	-	-	-	-	(8,706)	(8,706)	-	(8,706)
<b>Total transactions with Owners</b>	-	-	-	-	(8,706)	(8,706)	-	(8,706)
At 30 June 2018	186,688	-	-	-	669,715	856,403	-	856,403
<b>The Company</b>								
At 1 April 2019	186,688	-	(5,957)	-	668,732	849,463	-	849,463
Loss and total comprehensive income for the period	-	-	-	-	(412)	(412)	-	(412)
<b>Transactions with Owners, recorded directly in Equity</b>								
<b>Distributions to Owners</b>								
Own shares acquired	-	-	(2,184)	-	-	(2,184)	-	(2,184)
Dividend paid	-	-	-	-	(11,199)	(11,199)	-	(11,199)
<b>Total transactions with Owners</b>	-	-	(2,184)	-	(11,199)	(13,383)	-	(13,383)
At 30 June 2019	186,688	-	(8,141)	-	657,121	835,668	-	835,668

**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.**

	The Company		
	30.06.2019	31.03.2019	30.06.2018
Total number of issued shares	870,612,140	870,612,140	870,612,140
Less: Number of treasury shares	(9,140,900)	(6,698,500)	-
Total number of issued shares excluding treasury shares	861,471,240	863,913,640	870,612,140

The Company has made purchases of 2,442,400 ordinary shares in the capital of the Company and held them as treasury shares during the second quarter of 2019.

As at 30 June 2019, the number of treasury shares held by the Company was 9,140,900 (30 June 2018 : Nil).

The Company did not have any subsidiary holdings, outstanding options and convertibles as at 30 June 2019 and 30 June 2018.

**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	
	30.06.2019	31.12.2018
Total number of issued shares excluding treasury shares	861,471,240	870,612,140

- 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.**

At 1 January 2019  
Own shares acquired  
At 30 June 2019

The Company	
No of Shares	
	-
	9,140,900
	9,140,900

- 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 2018.

- 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 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 2018, except for SFRS(I) 16 Leases which is applicable for the financial period beginning 1 January 2019.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has applied SFRS(I) 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

- 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 2019	2nd Quarter 2018
0.34 cts	0.59 cts
0.34 cts	0.59 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 \$2,349,000 (2018 : \$4,081,000) and the weighted average number of ordinary shares outstanding of 684,175,724 (2018 : 693,022,508) which excludes treasury shares held by the Company and also ordinary shares held by an investee.

There are no potential dilutive ordinary shares in existence as at 30 June 2019 and 30 June 2018.

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

Number of shares

The Group		The Company	
30.06.2019	31.12.2018	30.06.2019	31.12.2018
276 cts	274 cts	97 cts	98 cts
683,881,608	693,022,508	861,471,240	870,612,140

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 posted a revenue of approximately \$20.0 million for this period as compared to \$30.9 million in the previous corresponding period. The decrease was mainly due to the absence of sales of development properties in Singapore recognised in this period as compared to approximately \$13.0 million recognised in the second quarter of 2018 and partially offset by an increase in revenue from its investment properties and dividend income.

With no recognition of revenue from sales of its development properties, the Group did not record any cost of sales for this period.

The decrease in commitment fee on unutilised bank facilities was due to a decrease in undrawn bank facilities for this period as compared to the previous corresponding period.

The decrease in depreciation expense was mainly due to certain office equipment purchased in the second quarter of 2018 being fully depreciated in that quarter.

The depreciation of right-of-use asset in this period was a result of the adoption of SFRS(I) 16 effective from 1 January 2019.

The change in net exchange gain/(loss) was mainly to the lower degree of strengthening of the Hong Kong dollar against the Singapore dollar on its investments in securities for this period as compared to the previous corresponding period.

The changes in fair value of other investments at fair value through profit or loss was mainly due to the valuation of its investments at fair value as at 30 June 2019.

The increase in maintenance expenses was mainly due to ad hoc maintenance works to its investment properties.

The decrease in operating lease expenses for this period was due to the Group recognising its existing operating lease arrangements as right-of-use asset with corresponding lease liabilities under SFRS(I) 16.

The increase in property tax for this period was due mainly to an one-off tax credit of its investment properties in the second quarter of 2018.

The decrease in other expenses was mainly due to lower professional fees incurred for this period as compared to the previous corresponding period.

The decrease in finance income for this period was mainly due to lower interest income from its investments.

The increase in finance expense for this period as compared to the previous corresponding period was mainly due to increases in loans, higher interest rates and higher amortisation of imputed interest on unsecured bonds.

The decrease in tax expense for this period was mainly due to lower profit contributions from companies in a tax-paying status.

Overall, the Group posted a profit of approximately \$1.5 million as compared to \$3.4 million in the previous corresponding period.

The Group's profit attributable to Owners of the Company was approximately \$2.3 million as compared to \$4.1 million in the previous corresponding period.

The increase in property, plant and equipment was mainly due to the purchase of furniture and fittings for its residential units of its development properties.

The right-of-use asset was mainly related to lease of the office units occupied by the Group in Hong Kong.

The increase in other investments was mainly due to purchase of shares and bonds and valuation of its other investments at fair value as at 30 June 2019.

The non-current asset held for sale in 2018 was disposed off in February 2019.

The Group increased its non-current loans and borrowings due to drawdown of its secured loans to redeem its \$120 million 4.75% unsecured fixed rate notes on its due date, 22 March 2019 and for its purchase of other investments. Subsequently, on 28 March 2019, the Company issued \$100 million 4.2% unsecured fixed rate notes from its \$600 million Multicurrency Debt Issuance Programme to partially repay these secured loans.

The decrease in the Group's current loans and borrowings was mainly due to the redemption of its \$120 million unsecured fixed rate notes on its due date.

The lease liabilities as at 30 June 2019 were due to the adoption of SFRS(I) 16 effective from 1 January 2019.

The decrease in trade and other payables was mainly due to the payments of accrued development costs, employee benefit expenses and finance expense.

**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 global economic outlook continues to weaken amid uncertainties arising from on-going trade frictions, currency devaluations, political tensions, protests in Hong Kong and Brexit negotiations. Some central banks have begun lowering interest rates to support economic growth. Notwithstanding this, the Group is expected to recognise revenue from the sales of some of the residential units of Concourse Skyline in the second half of 2019 and the contribution from its investment properties is expected to remain positive. However, the Group will take a cautious approach in its search for investment opportunities.

**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 and the reason(s) for the decision.**

No dividend has been declared/recommendeded for the second quarter ended 30 June 2019.

**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 Second Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 June 2019 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 out 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 August 2019