

HL GLOBAL ENTERPRISES LIMITED

(Registration No. 196100131N)

Condensed interim financial statements
for the six months ended 30 June 2023

HL GLOBAL ENTERPRISES LIMITED

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HL GLOBAL ENTERPRISES LIMITED**Unaudited Half Year Financial Statement Announcement for the six months ended 30 June ("1H") 2023****A. Condensed interim consolidated statement of profit or loss and other comprehensive income**

	Note	1H 2023 \$'000	Group 1H 2022 \$'000	Change %
Revenue	E5	2,671	3,160	(15.5)
Cost of sales		(1,471)	(1,504)	(2.2)
Gross profit		1,200	1,656	(27.5)
Other income	E6.1	930	275	238.2
Selling and marketing expenses	E6.2	(92)	(119)	(22.7)
Administrative expenses		(145)	(141)	2.8
Finance costs		(6)	(5)	20.0
Other expenses	E6.1	(1,419)	(1,348)	5.3
Share of results of joint ventures (net of tax)		8	38	(78.9)
Profit before tax		476	356	33.7
Income tax expense	E7	(18)	(15)	20.0
Profit for the period attributable to owners of the Company		458	341	34.3
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations		(956)	(424)	125.5
Other comprehensive loss for the period, net of tax		(956)	(424)	125.5
Total comprehensive loss for the period attributable to owners of the Company		(498)	(83)	500.0

	Group 1H 2023 ¢	Group 1H 2022 ¢
Earnings per share for the period attributable to the owners of the Company		
(Based on the weighted average number of ordinary shares in issue)		
- Basic (1H 2023 and 1H 2022: 93,915,337)	0.49	0.36
- Diluted (1H 2023 and 1H 2022: 93,915,337)	0.49	0.36

B. Condensed interim statements of financial position

	Note	Group		Company	
		30/06/2023	31/12/2022	30/06/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment		14,563	15,231	4	8
Investment property	E11	1,471	1,581	-	-
Subsidiaries		-	-	45,650	45,650
Associate		47	50	-	-
Joint ventures		842	864	-	-
Other receivables		88	85	28	28
Right-of-use assets	E8(i)	211	262	154	205
Deferred tax asset		182	192	-	-
		<u>17,404</u>	<u>18,265</u>	<u>45,836</u>	<u>45,891</u>
Current assets					
Inventories		75	109	-	-
Development properties		3,110	3,240	-	-
Trade and other receivables	E8(ii)	1,322	801	916	421
Prepayment	E8(iii)	82	123	8	26
Cash and bank balances		56,036	56,338	35,965	36,355
		<u>60,625</u>	<u>60,611</u>	<u>36,889</u>	<u>36,802</u>
Total assets		<u>78,029</u>	<u>78,876</u>	<u>82,725</u>	<u>82,693</u>
Equity					
Share capital		129,793	129,793	129,793	129,793
Equity capital contributed by parent		3,980	3,980	3,980	3,980
Reserves		(57,721)	(57,223)	(51,995)	(52,163)
Total equity attributable to owners of the Company		<u>76,052</u>	<u>76,550</u>	<u>81,778</u>	<u>81,610</u>
Non-current liabilities					
Lease liabilities	E8(iv)	77	133	57	109
		<u>77</u>	<u>133</u>	<u>57</u>	<u>109</u>
Current liabilities					
Trade and other payables	E8(v)	1,744	2,046	774	864
Lease liabilities		140	135	102	100
Current tax payable		16	12	14	10
		<u>1,900</u>	<u>2,193</u>	<u>890</u>	<u>974</u>
Total liabilities		<u>1,977</u>	<u>2,326</u>	<u>947</u>	<u>1,083</u>
Total equity and liabilities		<u>78,029</u>	<u>78,876</u>	<u>82,725</u>	<u>82,693</u>

C. Condensed interim statements of changes in equity

Group	Share capital	Equity capital contributed by parent	Special reserve	Premium paid on acquisition of non-controlling interests	Currency translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2023	129,793	3,980	8,529	(192)	(1,082)	(64,478)	76,550
Profit for the period	-	-	-	-	-	458	458
<u>Other comprehensive loss, net of tax</u>							
Foreign currency translation differences for foreign operations	-	-	-	-	(956)	-	(956)
Total comprehensive (loss)/ income for the period, net of tax	-	-	-	-	(956)	458	(498)
At 30 June 2023	129,793	3,980	8,529	(192)	(2,038)	(64,020)	76,052

Group	Share capital	Equity capital contributed by parent	Special reserve	Premium paid on acquisition of non-controlling interests	Currency translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2022	129,793	3,980	8,529	(192)	67	(65,529)	76,648
Profit for the period	-	-	-	-	-	341	341
<u>Other comprehensive loss, net of tax</u>							
Foreign currency translation differences for foreign operations	-	-	-	-	(424)	-	(424)
Total comprehensive (loss)/ income for the period, net of tax	-	-	-	-	(424)	341	(83)
At 30 June 2022	129,793	3,980	8,529	(192)	(357)	(65,188)	76,565

Company	Share capital	Equity capital contributed by parent	Special reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2023	129,793	3,980	12,471	(64,634)	81,610
Profit for the period, representing total comprehensive income for the period	-	-	-	168	168
At 30 June 2023	129,793	3,980	12,471	(64,466)	81,778

Company	Share capital	Equity capital contributed by parent	Special reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2022	129,793	3,980	12,471	(68,938)	77,306
Loss for the period, representing total comprehensive loss for the period	-	-	-	(308)	(308)
At 30 June 2022	129,793	3,980	12,471	(69,246)	76,998

D. Condensed interim consolidated statement of cash flows

	Group	
	1H 2023	1H 2022
	\$'000	\$'000
Operating activities		
Profit before tax	476	356
Adjustments for:		
Depreciation of investment property	34	36
Depreciation of property, plant and equipment	362	391
Depreciation of right-of-use assets	74	66
Interest expense related to lease liabilities	6	5
Interest income	(812)	(165)
Share of results of joint ventures (net of tax)	(8)	(38)
Unrealised currency exchange loss-net	150	73
Operating cash flows before changes in working capital	282	724
Development properties	(35)	(3)
Inventories	34	(2)
Trade and other payables	(302)	4
Trade and other receivables and prepayment	(4)	(77)
Cash (used in)/from operating activities	(25)	646
Income tax paid	(14)	(23)
Interest expense related to lease liabilities	(6)	(5)
Interest received	327	121
Net cash from operating activities	282	739
Investing activities		
Withdrawal of fixed deposits matured	605	513
Purchase of property, plant and equipment	(174)	(51)
Net cash from investing activities	431	462
Financing activity		
Repayment of principal portion of lease liabilities	(71)	(63)
Net cash used in financing activity	(71)	(63)
Net increase in cash and cash equivalents	642	1,138
Cash and cash equivalents at beginning of the period	5,934	5,179
Effect of exchange rate changes on balances held in foreign currencies	(339)	(113)
Cash and cash equivalents at end of the period	6,237	6,204
Fixed deposits with tenures more than 3 months	49,799	49,392
Cash and bank balances	56,036	55,596

E. Notes to the condensed interim consolidated financial statements

1 Corporate information

HL Global Enterprises Limited is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the "Group").

The principal activities of the Group are investment holding, hospitality and restaurant and property development.

2 Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The Group has applied the same accounting policies and methods of computation as in the Group's most recently audited financial statements, which were prepared in accordance with SFRS(I).

The financial statements are presented in Singapore Dollar, which is the Company's functional currency and all values are rounded to the nearest thousand ("'\$'000"), except when otherwise indicated.

2.1 New and amended standards adopted by the Group

The adoption of the new and amended standards has no material impact on the condensed interim consolidated financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

3 Seasonal operations

The Group's business is normally affected significantly by seasonal factors.

4 Segment and revenue information

The Group has three reportable segments:

Investments and others:	Investment holding and others
Hospitality and restaurant:	Operating and management of hotels and restaurants
Property development:	Development of properties for sale and rental and property and development project management

Performance is measured based on segment results before other income (including interest income), interest expense, share of results of associate and joint ventures and income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment.

Reportable segment 6 months ended 30 June 2023	Investments and others	Hospitality and restaurant	Property development	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
- external revenue	15	2,656	-	2,671
- inter-segment revenue	-	-	19	19
	15	2,656	19	2,690
Elimination				(19)
				2,671
Reportable segment results	(551)	325	(230)	(456)
Other income (excluding interest income)	118	-	-	118
Interest income	575	38	199	812
Interest expense	(4)	(2)	-	(6)
Share of results of a joint venture	-	8	-	8
Profit/(loss) before tax	138	369	(31)	476
Income tax expense				(18)
Profit for the period				458

Reportable segment 6 months ended 30 June 2022	Investments and others	Hospitality and restaurant	Property development	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
- external revenue	19	3,141	-	3,160
- inter-segment revenue	-	-	20	20
	19	3,141	20	3,180
Elimination				(20)
				3,160
Reportable segment results	(503)	735	(184)	48
Other income (excluding interest income)	68	41	1	110
Interest income	102	9	54	165
Interest expense	(5)	-	-	(5)
Share of results of joint ventures	-	39	(1)	38
(Loss)/profit before tax	(338)	824	(130)	356
Income tax expense				(15)
Profit for the period				341

5 Revenue

	Group	
	1H 2023 \$'000	1H 2022 \$'000
Revenue from hospitality and restaurant	2,656	3,141
Rental income from investment property	15	19
	2,671	3,160

6 Profit/(loss) before taxation

6.1 Significant items

	Group	
	1H 2023	1H 2022
	\$'000	\$'000
Other Income		
Interest income	812	165
Government grants	-	41
Licence fee	116	66
Sundry income	2	3
	930	275

- (i) The increase in interest income was due to the high interest rates on fixed deposit.
- (ii) The higher licence fee in 1H 2023 compared to 1H 2022 was due to easing of restrictions attributable to the outbreak of COVID-19 pandemic, resulting in the improvement of the revenue of Hotel Equatorial Shanghai ("HES") which the licence fee was charged as a percentage of the revenue of HES.

	Group	
	1H 2023	1H 2022
	\$'000	\$'000
Other Expenses		
Depreciation of investment property, property, plant and equipment	396	427
Depreciation of right-of-use assets	74	66
Employee related costs/directors' fee	597	615
Currency exchange loss-net	153	76
Others	199	164
	1,419	1,348

- (i) The increase in currency exchange loss was mainly due to the translation of foreign currency balances arising from the weakening of the Malaysian Ringgit against the Singapore Dollar.
- (ii) Others - included mainly insurance, repair and maintenance and property tax.

6.2 Selling and marketing expenses

The decrease was mainly due to resignation of marketing staff pending replacement.

6.3 Related party transactions

Compensation of key management personnel

Key management personnel compensation comprises remuneration of directors and other key management personnel as follows:

	Group	
	1H 2023	1H 2022
	\$'000	\$'000
Directors' fee/short-term employee benefits	227	228
Employer's contribution to defined contribution plans	8	8
	235	236

Sale and purchase of goods and services

The following significant transactions between the Group and related parties took place at terms agreed between the parties during 1H 2023 and 1H 2022:

	Group	
	1H 2023	1H 2022
	\$'000	\$'000
Expenses paid/payable to related companies:		
Rental	(17)	(16)
Secretarial/consultancy fees	(34)	(40)
Insurance and information technology & other services	(30)	(25)
Franchise and sales and marketing and reservation fees	(82)	(33)

6.3 Related party transactions (continued)

Significant outstanding balances with related parties

Bank balances held with a related party	14,545	19,739
Secretarial/consultancy fees	34	40

7 Taxation

The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1H 2023 \$'000	1H 2022 \$'000
Current income tax		
- current income taxation	18	13
- underprovision in respect of previous years	-	2
	18	15

8 Balance Sheet

- (i) The decrease in right-of-use assets was mainly due to depreciation of the said assets.
- (ii) The increase in trade and other receivables was mainly due to higher interest receivables.
- (iii) The decrease in prepayment was mainly due to settlement of the purchase of laundry equipment.
- (iv) The decline was due to reclassification of lease payment due within 12 months from non-current liabilities to current liabilities.
- (v) Payment of staff bonus, directors' fee and settlement of other liabilities reduced the balance of trade and other payables compared to 31/12/2022.

9 Net asset value

	Group		Company	
	30/06/2023 \$	31/12/2022 \$	30/06/2023 \$	31/12/2022 \$
Net asset value per issued share, excluding Trust Shares	0.81	0.82	0.87	0.87

The net asset value per issued share, excluding Trust Shares is computed based on 93,915,337 issued ordinary shares as at 30 June 2023 and at 31 December 2022.

10 Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to \$174,000 (30 June 2022: \$51,000). There was no disposal during this period.

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

In view that there is no significant adverse factor affecting the property market in 1H 2023 and based on the latest valuation of the properties as at 31 December 2022, management does not expect material impairment to the carrying values of property, plant and equipment but has plans to obtain independent valuation report at year end.

11 Investment property

The Group's investment property is an entertainment complex at Cameron Highlands, Malaysia. The shops at the complex are leased out to third parties. The Group has no restrictions on the realisability of its investment property.

	Group	
	2023	2022
	\$'000	\$'000
Cost		
Beginning of financial year	1,998	2,123
Translation adjustments	(102)	(50)
End of interim period	<u>1,896</u>	<u>2,073</u>
Accumulated depreciation		
Beginning of financial year	(417)	(370)
Depreciation charge for the interim period	(34)	(36)
Translation adjustments	26	9
End of interim period	<u>(425)</u>	<u>(397)</u>
Net carrying amount as at 30 June	<u>1,471</u>	<u>1,676</u>
At valuation (based on 31 December 2022 valuation) converted at the exchange rate of RM/S\$ as at 30 June 2023 and 30 June 2022	<u>2,142</u>	<u>2,342</u>

Fair value of investment property

The Group engaged an independent professional qualified valuer to determine the fair value of investment property at the end of each financial year. The fair value of investment property is determined by the market comparison and cost methods. In valuing the investment property, due consideration is given to factors such as location and size of building, building infrastructure, market knowledge and historical comparable transactions to arrive at their opinion of value.

The Group has submitted documents relating to the conversion of the entertainment complex into additional hotel and function rooms to the Planning Department for comment and approval. Management foresees the conversion will enhance the value of the investment property. The Company plans to obtain an independent valuation report at year end.

12 Development properties

The Group estimates the net realisable values of the development properties by taking into consideration the development plans, recoverable amounts of these development properties as well as valuation of the estimated market value of the uncompleted development property in Melaka, Malaysia performed by an external independent professional valuer. The Group will engage independent real estate valuation experts to assess the net realizable values of the Group's development properties as at the end of financial year.

In view that there is no significant adverse factor affecting the property market in 1H 2023 and after taking into consideration of the inputs and assumptions used by the valuers in the valuation techniques for their valuation as at 31 December 2022, the management does not expect material impairment on the said property which the work on the development has been suspended since 1998.

13 Lease liabilities

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	\$	\$	\$	\$
<u>Amount repayable within one year</u>				
Unsecured	140	135	102	100
<u>Amount repayable after one year</u>				
Unsecured	77	133	57	109

These are lease liabilities relating to rental of office premises, warehouse and apartments for staff accommodation.

14 Share capital

	Group and Company	
	Number of shares	Share Capital \$'000
<u>Ordinary shares</u>		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 (As per Accounting and Corporate Regulatory Authority's records)	96,334,254	133,773
Less: Trust Shares	(2,418,917)	(3,980)
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	93,915,337	129,793

The Company did not hold any treasury shares as at 30 June 2023, 31 December 2022 and 30 June 2022.

There were no sales, transfers, cancellation and/or use of treasury shares/subsidiary holdings during the six months ended 30 June 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 31 December 2022.

The ordinary shares issued includes 2,418,917 ordinary shares held as Trust Shares by Amicorp Trustees (Singapore) Limited as trustee of the Trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006 (the "Share Option Scheme").

Pursuant to the terms of the Trust Deed, the Trustee will, *inter alia*, acquire and hold existing shares in the capital of the Company (collectively, the "Trust Shares") for the benefit of participants who are employees of the Company and/or its subsidiaries and who have been granted share options under the Share Option Scheme (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the Share Option Scheme.

15 Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. Other information required by Listing Rule Appendix 7.2**1 Review**

The condensed consolidated statement of financial position of HL Global Enterprises Limited and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group**Results for six months ended 30 June ("1H") 2023 versus 1H 2022**

The Group reported lower revenue of \$2.7 million for 1H 2023 compared to \$3.2 million for the same period of 2022. The decline was mainly due to the growing popularity of homestay in Cameron Highlands offering attractive room rates which impacted the occupancy and room rates of Copthorne Hotel Cameron Highlands ("CHCH"). In addition, more local residents are travelling to nearby countries after the opening of their borders.

Lower revenue in the hospitality segment reduced the segment's operating profit by \$0.4 million to \$0.3 million for 1H 2023. This profit was offset by the losses incurred by the property development segment and investments and others segment (consisting of investment property operation and corporate overhead costs) of \$0.2 million and \$0.6 million respectively. As such, the Group registered an operating loss of \$0.5 million before the share of results of joint ventures, other income and finance costs in 1H 2023 against a profit of \$48,000 for 1H 2022.

Other income comprised mainly interest income and licence fee. With the support of high interest rate, interest income increased by \$0.6 million to \$0.8 million in 1H 2023. Licence fee in 1H 2023 showed improvement over 1H 2022, mainly due to the easing of restrictions arising from the COVID-19 pandemic, resulting in improvement of the revenue of Hotel Equatorial Shanghai ("HES") which licence fee was charged on the percentage of the revenue of HES. The Company's trademark licence agreement with Shanghai International Equatorial Hotel Co Ltd ("SIEH", owner of HES) expired on 31 March 2023 and has been renewed for a minimum period of six months but not more than a year. The hotel management services contract between SIEH and the joint venture, Shanghai Hengshan Equatorial Hotel Management Co Ltd ("SHEHM") has also expired on 31 March 2023 and the provision of hotel management services by SHEHM to SIEH was not renewed. Accordingly, the share of result in SHEHM reduced from \$39,000 to \$8,000 in 1H 2023. SHEHM has commenced members' voluntary liquidation with effect from 1 July 2023.

After taking into account the withholding tax on foreign income and tax payable on interest income, the Group reported a net profit of \$458,000 for 1H 2023 compared to \$341,000 for 1H 2022.

3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance for the period under review is in line with its expectations as disclosed in the Company's announcement released on 21 February 2023 on the unaudited financial statement for the year ended 31 December 2022.

4 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 operating period and the next 12 months

The biggest challenge that CHCH is facing is the shortage of manpower particularly in the housekeeping department and competition from homestay in Cameron Highlands. CHCH's occupancy and room rates are severely impacted by these two factors.

The layout plan for the refurbishment of the old commercial complex into hotel and function rooms is still pending the approval from Cameron Highlands District Council ("CHDC"). The architect is in the process of submitting documents to CHDC for the building plan application for the development of the 48 high-rise apartment units.

The Group's assets and operations are mainly located in Malaysia and hence it will be exposed to currency risks. The Group continues to source for sustainable and viable business and will exercise prudence in its review when such opportunities arise.

5 Dividend information

No dividend has been recommended for the period under review. The Company will review it at the end of the financial year.

6 Interested person transactions

The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Listing Manual of SGX-ST ("Listing Manual").

7 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 confirms that it has procured undertakings from all its Directors and the Chief Financial Officer in compliance with the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Confirmation by the Board

Negative confirmation pursuant to Rule 705(5)

The Board hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the Group's unaudited interim financial results for the half year ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board

Dato' Gan Khai Choon
Chairman

Hoh Weng Ming
Director

Singapore
4 August 2023

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer

Singapore
4 August 2023