

Company Registration No. 195200130C

**Hwa Hong Corporation Limited
and its Subsidiaries**

Condensed Interim Financial Statements
For the six months ended 30 June 2022

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Hwa Hong Corporation Limited and its Subsidiaries

A. Condensed interim consolidated income statement

	Note	Six Months Ended		+ / (-) %
		30.6.2022 \$'000	30.6.2021 \$'000	
Revenue (a)	4	7,364	5,246	40.4
Cost of sales		(2,044)	(2,193)	(6.8)
Changes in fair value of investment securities (a)		(1,160)	1,730	n.m.
Gross profit		4,160	4,783	(13.0)
Other income (a)		14,231	1,413	n.m.
General and administrative costs		(2,921)	(2,890)	1.1
Foreign exchange gain/(loss) (a)		262	(345)	n.m.
Other operating costs (a)		(2,245)	(616)	n.m.
Finance costs (a)		(538)	(724)	(25.7)
Share of after tax results of associates and joint ventures (a)		(807)	424	n.m.
Profit before taxation	6	12,142	2,045	n.m.
Taxation (a)	7	655	(179)	n.m.
Net profit after taxation		12,797	1,866	n.m.
Attributable to:				
Owners of the Company		12,913	1,776	n.m.
Non-controlling interests		(116)	90	n.m.
Profit for the period attributable to owners of the Company		12,797	1,866	
Earnings per share (cents):				
Basic and fully diluted		1.98	0.27	

Remarks:

(a) Please refer to "Other information" pages 37 to 42 for more information.

(b) n.m. – not meaningful

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

Hwa Hong Corporation Limited and its Subsidiaries

B. Condensed interim consolidated statement of comprehensive income

	Six Months Ended		
	30.6.2022 \$'000	30.6.2021 \$'000	+ / (-) %
Net profit after taxation	12,797	1,866	n.m.
<u>Other comprehensive income:</u>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net change on investment securities (a)	(3,612)	974	n.m.
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation (b)	(3,751)	2,476	n.m.
Other comprehensive income, net of tax	(7,363)	3,450	
Total comprehensive income for the period	5,434	5,316	
Total comprehensive income for the period attributable to:			
Owner of the Company	5,550	5,226	6.2
Non-controlling Interests	(116)	90	n.m.
	<u>5,434</u>	<u>5,316</u>	

Remarks:

- a) *Net loss on Fair Value through Other Comprehensive Income ("FVOCI") investment securities in 1H2022 of \$3.6 million was mainly due to decrease in fair values in certain investments held by the Group.*
- b) *Foreign currency translation came mainly from foreign exchange impact arising from the translation of Sterling Pound against Singapore Dollars for UK net investments. The weakening of the Sterling Pound against Singapore Dollar resulted in overall net foreign exchange loss of approximately \$3.8 million for 1H2022 (1H2021: \$2.5 million net foreign exchange gain).*

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

Hwa Hong Corporation Limited and its Subsidiaries

C. Condensed interim statements of financial position

	Note	Group		Company	
		30.6.2022 \$'000	31.12.2021 \$'000	30.6.2022 \$'000	31.12.2021 \$'000
Non-current assets					
Property, plant and equipment		3,781	3,875	-	-
Investment properties*	10	139,619	142,556	-	-
Investment in subsidiaries		-	-	172,368	172,368
Investment in joint ventures		4,645	4,752	-	-
Investment in associates*		28,172	30,050	746	746
Investment securities*	11	14,326	18,961	-	-
Other receivables		4,371	4,700	-	-
		194,914	204,894	173,114	173,114
Current assets					
Trade receivables	12	764	822	-	-
Prepayments and deposits		385	161	27	28
Other receivables*		3,886	3,351	-	-
Amounts due from subsidiaries*		-	-	5,427	10,247
Amounts due from associates*		4,395	6,227	-	-
Investment securities*	11	23,905	23,387	-	-
Cash and bank balances*		36,887	42,230	1,130	332
Investment property classified as held for sale*		-	3,165	-	-
		70,222	79,343	6,584	10,607
Current liabilities					
Bank overdraft (secured)	13	(443)	(377)	-	-
Trade payables		(346)	(362)	-	-
Other payables*		(4,114)	(3,486)	(998)	(380)
Accrued operating expenses		(2,214)	(2,429)	(397)	(193)
Amounts due to associates*		(551)	(1,996)	(371)	(366)
Bank loans (secured)*	13	(12,786)	(52,599)	-	-
Tax payable		(1,911)	(1,889)	-	-
		(22,365)	(63,138)	(1,766)	(939)
Net current assets		47,857	16,205	4,818	9,668
Non-current liabilities					
Bank loans (secured)*	13	(46,895)	(23,355)	-	-
Deferred tax liabilities*		(4,409)	(5,211)	-	-
Other payables		(6,383)	(6,356)	-	-
		(57,687)	(34,922)	-	-
Net assets		185,084	186,177	177,932	182,782

*refer to other information – note 2(b)(1) to 2(b)(14) for explanatory notes.

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

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C. Condensed interim statements of financial position (cont'd)

	Note	Group		Company	
		30.6.2022 \$'000	31.12.2021 \$'000	30.6.2022 \$'000	31.12.2021 \$'000
Equity attributable to owner of the Company					
Share capital	14	172,154	172,154	172,154	172,154
Treasury shares	14	(260)	(260)	(260)	(260)
Capital reserve		376	376	-	-
Revenue reserve		46,582	40,196	6,038	10,888
Fair value reserve		(8,171)	(4,559)	-	-
Currency translation reserve		(25,535)	(21,784)	-	-
		185,146	186,123	177,932	182,782
Non-controlling interests		(62)	54	-	-
Share capital and reserves		185,084	186,177	177,932	182,782

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

Hwa Hong Corporation Limited and its Subsidiaries

D. Condensed interim statements of changes in equity

The Group

	----- Attributable to Owners of the Company -----							Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Capital reserve ** \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Non- controlling interests \$'000	
Group								
Balance at 1.1.2022	172,154	(260)	376	40,196	(4,559)	(21,784)	54	186,177
Total comprehensive income for the period	-	-	-	12,913	(3,612)	(3,751)	(116)	5,434
Dividends paid	-	-	-	(6,527)	-	-	-	(6,527)
Balance at 30.6.2022	172,154	(260)	376	46,582	(8,171)	(25,535)	(62)	185,084
Balance at 1.1.2021	172,154	(260)	506	39,956	(3,141)	(22,136)	(15)	187,064
Total comprehensive income for the period	-	-	-	1,776	974	2,476	90	5,316
Dividends paid	-	-	-	(6,527)	-	-	-	(6,527)
Transfer of fair value reserves of investment securities at FVOCI upon disposal	-	-	-	1,002	(1,002)	-	-	-
Balance at 30.6.2021	172,154	(260)	506	36,207	(3,169)	(19,660)	75	185,853

** Capital reserve represents unrealised gain pertaining to certain properties purchased from an associate.

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D. Condensed interim statements of changes in equity (cont'd)

The Company

	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Total equity \$'000
Company				
Balance at 1.1.2022	172,154	(260)	10,888	182,782
Total comprehensive income for the period	-	-	1,677	1,677
Dividends paid	-	-	(6,527)	(6,527)
Balance at 30.6.2022	<u>172,154</u>	<u>(260)</u>	<u>6,038</u>	<u>177,932</u>
Balance at 1.1.2021	172,154	(260)	10,804	182,698
Total comprehensive income for the period	-	-	3,273	3,273
Dividends paid	-	-	(6,527)	(6,527)
Balance at 30.6.2021	<u>172,154</u>	<u>(260)</u>	<u>7,550</u>	<u>179,444</u>

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

Hwa Hong Corporation Limited and its Subsidiaries

E. Condensed interim consolidated statement of cash flows

	Six Months Ended	
	30.6.2022	30.6.2021
	\$'000	\$'000
Cash flows from operating activities:		
Profit before taxation	12,142	2,045
Adjustments for:		
Interest income	(117)	(101)
Interest expense	538	724
Fair value changes in investment securities	1,160	(1,730)
Dividend income from investment securities	(4,145)	(430)
Depreciation of property, plant and equipment and investment properties	1,215	1,347
Share of results of associates and joint ventures	807	(424)
Gain on disposal of investment properties	(13,995)	(1,189)
Impairment on trade receivables	-	616
Others	(17)	244
	(14,554)	(943)
Operating cash flows before changes in working capital	(2,412)	1,102
Increase in receivables and current investments	(2,273)	(5,444)
Increase/(decrease) in payables	591	(308)
	(1,682)	(5,752)
Cash flows used in operations	(4,094)	(4,650)
Interest received	74	31
Interest paid	(515)	(703)
Dividend income from investment securities	4,145	430
Income taxes (paid)/recovered	(80)	12
	3,624	(230)
Net cash flows used in operating activities carried forward	(470)	(4,880)

Hwa Hong Corporation Limited and its Subsidiaries

E. Condensed interim consolidated statement of cash flows

	Six Months Ended	
	30.6.2022	30.6.2021
	\$'000	\$'000
Net cash flows used in operating activities brought forward	(470)	(4,880)
Cash flows from investing activities:		
Decrease in investment securities, net	770	3,520
Net increase/(decrease) in investment in associates	1,020	(2,374)
Dividends received from an associate	750	1,250
Increase in amounts due from associates	-	(287)
Increase in investment in joint ventures	-	(411)
Increase in amounts due from joint ventures	-	(648)
Proceeds from disposal of investment properties	17,160	1,482
Subsequent expenditure on investment properties	(3,259)	(653)
Purchase of property, plant and equipment	(56)	(6)
Net cash flows from investing activities	16,385	1,873
Cash flows from financing activities:		
Proceeds from bank loans	31,668	6,216
Repayments of bank loans	(44,586)	(2,815)
Decrease in pledged deposits	16	-
Increase/(decrease) in loan from non-controlling interests	259	(202)
Dividends paid on ordinary shares	(6,527)	(6,527)
Net cash flows used in financing activities	(19,170)	(3,328)
Net decrease in cash and cash equivalents	(3,255)	(6,335)
Cash and cash equivalents at beginning of the period	24,851	27,719
Effects of exchange rate changes on cash and cash equivalents	(694)	24
Cash and cash equivalents at end of the period	20,902	21,408

Hwa Hong Corporation Limited and its Subsidiaries

E. Condensed interim consolidated statement of cash flows

For purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	30.6.2022	30.6.2021
	\$'000	\$'000
Cash and bank balances:	36,887	38,472
Less: cash and bank balances pledged	(15,542)	(15,300)
Less: bank overdrafts	(443)	(320)
Less: restricted cash	-	(1,444)
Cash and cash equivalents at end of period	<u>20,902</u>	<u>21,408</u>

The restricted cash relates to cash held on behalf of an associate. In 1H2022, the amount was transferred back to the associate.

The accompanying accounting policies and explanatory notes form an integral part of the condensed financial statements.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

1. Corporate information

Hwa Hong Corporation Limited (the “Company”) 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 2022 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activity of the Company is investment holding. The principal activities of the Group are:

- (a) Rental: rental of residential, commercial properties and warehouse
- (b) Investment: investment holding

Subsequent to 30 June 2022, the Company is a wholly owned subsidiary of Sanjuro United Pte. Ltd.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with 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 statement for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars which is the Company’s functional currency.

2.1 *New and amended standards adopted by the Group*

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

The Group and the Company have adopted the following amendments to SFRS(I), that is effective for the financial periods beginning on 1 January 2022:-

Description	Effective for annual periods periods beginning on or after
Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to SFRS(I)1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I)1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to SFRS(I)3: Reference to Conceptual Framework	1 January 2022

The adoption of the amendments to SFRS(I) did not have any material financial impact on the financial statements of the Group and the Company for the financial period ended 30 June 2022.

F. Notes to the condensed interim consolidated financial statements

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 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period as included in the following notes:

Note 10 - Classification of investment property

Note 11 – Classification of equity investments

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different strategies.

The following summary describes the operations in each of the Group's reportable segments:

- rental: rental of residential, commercial properties and warehouse
- investment: investment holding
- corporate and others: investment holding.

For purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors performance based on segment profit before income tax. Segment profit is measured as management believes that such segment transactions are determined on an arm's length basis.

There are no asymmetrical allocations to reportable segments.

Unallocated items such as cash at bank, bank overdrafts, bank loans, provision for tax, deferred taxation, finance costs and certain foreign exchange differences are managed on a Company and Group basis and were not allocated to the segments.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

4. Segment and revenue information (cont'd)

4.1 Reportable Segment

1H2022	Rental \$'000	Investments \$'000	Corporate & Others \$'000	Note	Eliminations \$'000	Total \$'000
<u>Income Statement</u>						
Revenue						
- external	3,102	4,262	-		-	7,364
- inter-segment	-	-	-		-	-
Total revenue	<u>3,102</u>	<u>4,262</u>	<u>-</u>			<u>7,364</u>
Depreciation of property plant and equipment and investment properties	(1,115)	(19)	(81)		-	(1,215)
Fair value changes in investment securities	-	(1,160)	-		-	(1,160)
Gain on disposal of investment properties	13,995	-	-		-	13,995
Share of results from associates and joint ventures	-	(807)	-		-	(807)
Profit/(loss) before taxation	<u>14,073</u>	<u>348</u>	<u>(2,020)</u>	A	(259)	<u>12,142</u>
<u>Balance Sheet as at 30 June 2022</u>						
Investment in joint ventures	-	4,645	-		-	4,645
Investment in associates	-	28,172	-		-	28,172
Additions to non-current assets	1,189	14	12	B	-	1,215
Segment assets	<u>165,262</u>	<u>146,038</u>	<u>184,918</u>	C	(231,082)	<u>265,136</u>
Segment liabilities	<u>(116,059)</u>	<u>(11,496)</u>	<u>(4,053)</u>	D	51,556	<u>(80,052)</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

4.1 Reportable Segment (cont'd)

1H2021	Rental \$'000	Investments \$'000	Corporate & Others \$'000	Note	Eliminations \$'000	Total \$'000
<u>Income Statement</u>						
Revenue						
- external	4,724	522	-		-	5,246
- inter-segment	-	-	-	-	-	-
Total revenue	<u>4,724</u>	<u>522</u>	<u>-</u>			<u>5,246</u>
Interest income (in other income)	-	6	2		-	8
Depreciation of property plant and equipment and investment properties	(1,246)	(26)	(75)		-	(1,347)
Fair value changes in investment securities	-	1,730	-		-	1,730
Gain on disposal of investment properties	1,189	-	-		-	1,189
Impairment loss on trade receivables	(616)	-	-		-	(616)
Share of results from associates and joint ventures	-	424	-		-	424
Profit/(loss) before taxation	<u>2,116</u>	<u>1,955</u>	<u>-1,005</u>	A	(1,021)	<u>2,045</u>
<u>Balance Sheet as at 31 December 2021</u>						
Investment in joint ventures	-	4,752	-		-	4,752
Investment in associates	-	30,050	-		-	30,050
Additions to non-current assets	1,685	1	60	B	-	1,746
Segment assets	<u>164,458</u>	<u>172,287</u>	<u>189,625</u>	C	(242,133)	<u>284,237</u>
Segment liabilities	<u>(129,956)</u>	<u>(17,756)</u>	<u>(3,343)</u>	D	52,995	<u>(98,060)</u>

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F. Notes to the condensed interim consolidated financial statements

4.1 Reportable Segment (cont'd)

- A. The following items are deducted from segment profit to arrive at "profit before tax" presented in the consolidated income statement:

	6 months ended 30 June 2022	6 months ended 30 June 2021
	\$'000	\$'000
Unallocated income/(expenses)	279	(297)
Finance costs	(538)	(724)
	<u>(259)</u>	<u>(1,021)</u>

- B. Additions to non-current assets consist of additions to property, plant and equipment and investment properties.

- C. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	30.6.2022	31.12.2021
	\$'000	\$'000
Cash and bank balances	36,887	42,230
Inter-segment assets	(267,969)	(284,363)
	<u>(231,082)</u>	<u>(242,133)</u>

- D. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the condensed consolidated balance sheet:

	30.6.2022	31.12.2021
	\$	\$
Bank loans	59,681	75,954
Bank overdraft	443	377
Income tax payable	1,911	1,889
Deferred tax liabilities	4,409	5,211
Inter-segment liabilities	(118,000)	(136,426)
	<u>(51,556)</u>	<u>(52,995)</u>

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F. Notes to the condensed interim consolidated financial statements

4.2 Disaggregation of Revenue

1H2022	Rental \$'000	Investments \$'000	Corporate & Others \$'000	Total \$'000
<u>Types of goods or service:</u>				
Rental income from investment properties	3,102	-	-	3,102
Dividend income from investment securities	-	4,145	-	4,145
Interest income	-	117	-	117
Total revenue	3,102	4,262	-	7,364
Timing of revenue recognition:				
At a point in time	-	4,262	-	4,262
Over time	3,102	-	-	3,102
Total revenue	3,102	4,262	-	7,364

Geographical information

Singapore	2,443	4,148	-	6,591
United Kingdom	659	114	-	773
	3,102	4,262	-	7,364

1H2021	Rental \$'000	Investments \$'000	Corporate & Others \$'000	Total \$'000
<u>Types of goods or service:</u>				
Rental income from investment properties	4,724	-	-	4,724
Dividend income from investment securities	-	430	-	430
Interest income	-	92	-	92
Total revenue	4,724	522	-	5,246
Timing of revenue recognition:				
At a point in time	-	522	-	522
Over time	4,724	-	-	4,724
Total revenue	4,724	522	-	5,246

Geographical information

Singapore	2,475	402	-	2,877
United Kingdom	2,249	120	-	2,369
	4,724	522	-	5,246

Information about a major customer

Revenue of \$2,184,000 (1H2021: \$2,184,000) was derived from a single external customer. This revenue was derived in Singapore and relates to rental income.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

5. Financial assets and financial liabilities

Set out below is an analysis of the carrying amounts of financial instruments by categories of the Group as at 30 June 2022 and 31 December 2021:

	Note	Group	
		30.6.2022 \$'000	31.12.2021 \$'000
Financial assets measured at amortised cost			
Other receivables (exclude deferred rental receivable)		3,392	3,041
Trade receivables		764	822
Amounts due from associates		4,395	6,227
Cash and bank balances		36,887	42,230
		45,438	52,320
Equity securities			
<i>At fair value through profit and loss</i>			
- Quoted equity securities (current)	11	20,899	20,409
- Quoted debt instruments	11	1,000	1,000
- Unquoted debt instruments	11	2,006	1,978
<i>At fair value through other comprehensive income</i>			
- Quoted equity securities (non-current)	11	2,770	3,093
- Quoted non-equity securities (non-current)	11	3,293	4,105
- Unquoted equity securities (non-current)	11	8,263	11,763
		38,231	42,348
Financial liabilities measured at amortised cost			
Bank overdraft		443	377
Trade payable		346	362
Other payables (exclude deferred income, rental received in advance and other tax payables)		10,214	9,503
Accrued operating expenses		2,214	2,429
Amounts due to associates		551	1,996
Bank loans (secured)		59,681	75,954
		73,449	90,621

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F. Notes to the condensed interim consolidated financial statements

5. Financial assets and financial liabilities (cont'd)

	Company	
	30.6.2022	31.12.2021
	\$	\$
<i>Financial assets measured at amortised cost</i>		
Amounts due from subsidiaries	5,427	10,247
Cash and bank balances	1,130	332
	<hr/>	<hr/>
	6,557	10,579
	<hr/> <hr/>	<hr/> <hr/>
<i>Financial liabilities measured at amortised cost</i>		
Other payables	998	380
Accrued operating expenses	397	193
Amounts due to associates	371	366
	<hr/>	<hr/>
	1,766	939
	<hr/> <hr/>	<hr/> <hr/>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

6. Profit before taxation

6.1 Significant items

	Six Months Ended	
	30.6.2022	30.6.2021
	\$'000	\$'000
Dividend income	4,145	430
Interest income (included in revenue)	117	92
Interest on borrowings	(538)	(724)
Depreciation on property, plant and equipment and investment properties	(1,215)	(1,347)
Fair value changes in investment securities	(1,160)	1,730
Overprovision (net) of taxation in prior years	-	141
Foreign exchange gain/(loss)	262	(345)
Other income:		
- Gain on disposal of investment properties	13,995	1,189
Impairment loss on trade receivables	-	(616)

6.2 Related party transactions

The following significant transactions are entered into by the Group and the Company with related parties at terms agreed between the parties:

	Group		Company	
	6 months ended 30 June 2022	6 months ended 30 June 2021	6 months ended 30 June 2022	6 months ended 30 June 2021
	\$'000	\$'000	\$'000	\$'000
<u>Income statement</u>				
Management fees paid and payable to a subsidiary	-	-	60	63
Rental fee paid and payable to a subsidiary	-	-	28	28
Reimbursement of expense to a subsidiary	-	-	6	6
Interest income from associates	(92)	(70)	-	-
Rental income from an associated company	(14)	(13)	-	-
Management fees from an associated company	(2)	(2)	-	-
Reimbursement of expense from an associated company	(5)	(4)	-	-

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

7. Taxation

The Group calculated the period income tax (credit)/expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax (credit)/expense in the condensed interim consolidated financial of profit or loss are:

	Group	
	Six Months Ended	
	30.6.2022	30.6.2021
	\$'000	\$'000
Current income tax		
- current income taxation	102	152
- overprovision (net) in respect of previous years	-	(141)
Deferred income tax		
- origination and reversal of temporary differences	(757)	168
	<u>(655)</u>	<u>179</u>

The gain on disposal of investment properties is non-taxable.

8. Dividends

	Group	
	Six Months Ended	
	30.6.2022	30.6.2021
	\$'000	\$'000
In respect of financial year ended 31 December 2020:		
- Final exempt (one-tier) dividend of 1.0 cents per share	-	6,527
In respect of financial year ended 31 December 2021:		
- Final exempt (one-tier) dividend of 1.0 cents per share	6,527	-
	<u>6,527</u>	<u>6,527</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

9. Net asset value

	Group		Company	
	As at 30.6.2022	As at 31.12.2021	As at 30.6.2022	As at 31.12.2021
Net asset value per ordinary share (cents)	28.37	28.52	27.26	28.01

10. Investment properties

Group	Freehold land \$'000	Buildings \$'000	Construction in-progress \$'000	Total \$'000
Cost				
At 31 December 2021	74,937	90,575	2,711	168,223
Additions (subsequent expenditure)	–	2,892	367	3,259
Currency realignment	(2,465)	(3,150)	–	(5,615)
At 30 June 2022	72,472	90,317	3,078	165,867
Accumulated depreciation and impairment loss				
At 31 December 2021	–	25,667	–	25,667
Depreciation for the year	–	1,067	–	1,067
Currency realignment	–	(486)	–	(486)
At 30 June 2022	–	26,248	–	26,248
Net carrying amount				
At 30 June 2022	72,472	64,069	3,078	139,619
At 31 December 2021	74,937	64,908	2,711	142,556

F. Notes to the condensed interim consolidated financial statements

10. Investment properties (cont'd)

Valuation of the investment properties

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Valuation of investment properties is performed for disclosure purposes and impairment assessments. The Group has a policy to obtain external, independent valuations for its properties once every three years. Management's valuations are carried out at half-yearly reporting and annually.

Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

For valuations performed by external valuation experts, the Group reviews the appropriateness of the valuation methodologies and assumptions adopted. The Group also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The Chief Financial Officer ("CFO") documents and reports its analysis and results of the valuation to the Audit and Risk Committee on a half yearly basis, in line with the Group's half yearly reporting dates.

In 2021, valuations were performed by Savills Valuation and Professional Services (S) Pte Ltd and Savills (UK) Limited for three properties in Singapore and two properties in United Kingdom. These independent valuers have recognised and relevant professional qualification with relevant experience in the location and category of the properties being valued. Valuation for the remaining properties was performed by the management as at year of 2021, taking into consideration the advice of external valuation experts using recent transaction prices, investment method and residual method.

For the half yearly reporting, management's valuations were carried out, taking into consideration the latest valuation methodologies and assumptions used in the latest external valuation reports.

The valuation methods applied are further discussed in Note 15.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

11. Investment securities

	Group	
	30.6.2022	31.12.2021
	\$'000	\$'000
<i>Current</i>		
At fair value through profit or loss		
- Equity securities (quoted)	20,899	20,409
- Debt instruments (quoted)	1,000	1,000
- Debt instruments (unquoted)	2,006	1,978
	<u>23,905</u>	<u>23,387</u>
<i>Non-current</i>		
At fair value through other comprehensive income		
- Equity securities (quoted)	2,770	3,093
- Equity securities (unquoted)	8,263	11,763
- Non-equity securities (quoted)	3,293	4,105
	<u>14,326</u>	<u>18,961</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

11. Investment securities (cont'd)

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Group	
	30.6.2022	31.12.2021
	\$'000	\$'000
MTQ Corporation Ltd	2,665	2,961
Pan Hong Holdings Group Ltd	105	132
Value Monetization III Ltd (BVI) ("VML")	1,704	1,862
Majuven Fund 1 Ltd	196	233
Accion Asia Growth Fund (Cayman) ("Accion Fund")	258	254
GAW NP Capital Vietnam Fund 1 LP (Cayman) ("Gaw Fund")	115	3,083
COGC Allen House, LP (Cayman)	5,990	6,331
	<u>11,033</u>	<u>14,856</u>

During the previous interim period, the Group disposed of certain of its investments for cash and realised the capital appreciation. These investments had a fair value of \$3,517,000 at the date of disposal. The cumulative gain on disposal of \$1,002,000 was reclassified from fair value reserve to revenue reserve.

The Group did not dispose any FVOCI equity instruments during the current interim period.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

12. Trade receivables

	Group	
	30.6.2022	31.12.2021
	\$'000	\$'000
Trade receivables	959	1,027
Allowance for expected credit loss	(195)	(205)
	764	822
	764	822

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Expected credit losses

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group	
	30.6.2022	31.12.2021
	\$'000	\$'000
Trade receivables, nominal amounts	195	205
Allowance for expected credit loss	(195)	(205)
	-	-
	-	-

Movement of allowance for expected credit loss

	6 months ended	
	30.6.2022	31.12.2021
	\$'000	\$'000
At beginning of the period	(205)	-
Allowance for expected credit loss	-	(959)
Written off	-	751
Exchange differences	10	3
	(195)	(205)
	(195)	(205)

At the end of the reporting period 30 June 2022, the Group determined an amount of \$195,000 (31 December 2021: \$205,000) to be impaired following an assessment to determine collectability of the debt.

F. Notes to the condensed interim consolidated financial statements

13. Bank loans and bank overdrafts

	Group			
	30.6.2022		31.12.2021	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bank overdrafts	443	-	377	-
Short term bank loans	12,786	-	52,599	-
	<u>13,229</u>	<u>-</u>	<u>52,976</u>	<u>-</u>
	30.6.2022		31.12.2021	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Long term bank loans	46,895	-	23,355	-

Details of any collateral

Short term bank loans comprised:

- a) An amount of \$6.9 million (2021: \$20.3 million) secured by a pledge of \$15 million (2020: \$15 million) on a subsidiary's fixed deposits and a corporate guarantee from the Company.
- b) An amount of \$31.8 million in 2021 secured by a legal charge over a subsidiary's investment property and assignment of tenancy agreement in respect of the property. This loan was repaid during the period.
- c) An amount of \$0.5 million (2021: \$0.5 million) secured by a legal charge over a subsidiary's investment property, assignment of tenancy agreement in respect of the property and a corporate guarantee from another subsidiary company of the Group.
- d) An amount of \$5.4 million in 2022 is secured by a legal charge over the investment properties, assignment of construction contracts, performance bonds in respect to the development of the investment properties and a corporate guarantee from one of the subsidiary companies. In 2021, this loan was reclassified under long term.

Long term bank loans comprised:

- e) \$5.2 million in 2021 is secured by a legal charge over the investment properties, assignment of construction contracts, performance bonds in respect to the development of the investment properties and a corporate guarantee from one of the subsidiary companies. This loan was reclassified as short term in current period.
- f) \$17.2 million (2021: \$18.2 million) is secured by a pledge of \$0.5 million (2021: \$0.6 million) on a subsidiary's fixed deposits, a corporate guarantee from a subsidiary and a legal charge over a subsidiary's investment property.
- g) \$29.7 million (2021: Nil) is secured by a legal charge over a subsidiary's investment property and assignment of tenancy agreement in respect of the property. This is a new loan obtained in current period.

Bank overdraft is secured by a legal charge over a subsidiary's property and assignment of tenancy agreement in respect of the property.

F. Notes to the condensed interim consolidated financial statements

14. Share Capital

14.1 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 immediately preceding financial year.

	30/6/2022	30/6/2021
	\$'000	\$'000
Share capital	172,154	172,154
	30/6/2022	30/6/2021
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(843)	(843)
Total number of subsidiary holdings	-	-
Total number of issued shares excluding treasury shares and subsidiary holdings	652,661	652,661

14.2 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.

	30/6/2022	31/12/2021
	\$'000	\$'000
Share capital	172,154	172,154
	30/6/2022	31/12/2021
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(843)	(843)
Total number of issued shares excluding treasury shares	652,661	652,661

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

14. Share Capital (cont'd)

14.3 A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There was no share buy-back during the current financial period.

14.4 A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

15. Fair values of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- (ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3 - Unobservable inputs for the asset or liability.

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

30 June 2022	Group			Total
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Recurring fair value measurements				
Assets:				
Financial assets:				
Investment securities at FVPL (current)				
- Quoted equity securities	20,899	-	-	20,899
- Quoted debt securities	1,000	-	-	1,000
- Unquoted debt securities	-	-	2,006	2,006
Equity securities at FVOCI (non-current)				
- Quoted equity securities	2,770	-	-	2,770
- Quoted non-equity securities	3,293	-	-	3,293
- Unquoted equity securities	-	-	8,263	8,263
	27,962	-	10,269	38,231

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

31 December 2021	Group			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Recurring fair value measurements				
Assets:				
Financial assets:				
Investment securities at FVPL (current)				
- Quoted equity securities	20,409	-	-	20,409
- Quoted debt securities	1,000	-	-	1,000
- Unquoted debt securities	-	-	1,978	1,978
Equity securities at FVOCI (non-current)				
- Quoted equity securities	3,093	-	-	3,093
- Quoted non-equity securities	4,105	-	-	4,104
- Unquoted equity securities	-	-	11,763	11,763
	28,607	-	13,741	42,348

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(c) **Level 3 fair value measurements**

Information about significant unobservable inputs used in the Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 30 June 2022 \$'000	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Investment securities at FVPL			
- Unquoted debt securities (current)	2,006	Expected present value method	Discount rate
Equity securities at FVOCI			
- Unquoted equity investments, (non-current)	8,263	Quote from fund manager	Not applicable

Description	Fair value at 31 December 2021 \$'000	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Investment securities at FVPL			
- Unquoted debt securities (current)	1,978	Expected present value method	Discount rate
Equity securities at FVOCI			
- Unquoted equity investments, (non-current)	11,763	Quote from fund manager	Not applicable

For investment securities at FVPL, a significant increase (decrease) in the discount rate would result in a significantly lower (higher) fair value measurement.

Equity securities at FVOCI relate to funds which invest primarily in unquoted assets. Fair values have been determined based on investor statements issued by the fund managers.

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

Movements in Level 3 assets and liabilities measured at fair value

	Group 6 months ended 30.6.2022 \$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment securities at FVPL:	
Unquoted debt securities (current)	
At beginning of the period	1,978
Net change in fair value included in other comprehensive income	28
At end of the period	<u>2,006</u>
Equity securities:	
Unquoted equity investments (non-current)	
At beginning of the period	11,763
Net change in fair value included in other comprehensive income	(2,730)
Return of capital during the period/year	(770)
At end of the period	<u>8,263</u>

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(d) *Assets and liabilities not carried at fair value (cont'd)*

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the end of the reporting period for which fair value is disclosed:

	Group			Total
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
	\$'000	\$'000	\$'000	\$'000
30 June 2022				
Non-financial assets:				
Investment properties				
- Commercial	–	–	231,045	231,045
- Residential	–	–	10,578	10,578
	–	–	241,623	241,623
31 December 2021				
Non-financial assets:				
Investment properties				
- Commercial	–	–	228,948	228,948
- Residential	–	–	11,089	11,089
	–	–	240,037	240,037

Determination of fair valueCommercial investment properties

The valuation for two of the Singapore properties were based on income capitalisation method and direct comparison method. The income capitalisation method involves the conversion of the estimated annual net rental income of the property after deducting all necessary outgoings and expenses such as property tax, costs of repairs and maintenance and insurance into a capital sum at a suitable rate of return which reflects the tenure and quality of the investment, while the direct comparison method considers the sale of similar properties that have been transacted in the open market.

The valuation of the other Singapore property was based on direct comparison method and residual method as the property is still under development.

F. Notes to the condensed interim consolidated financial statements

15. Fair values of assets and liabilities (cont'd)

(d) ***Assets and liabilities not carried at fair value (cont'd)***

The valuations for United Kingdom office and commercial properties were derived using the direct comparable and income capitalisation methods, where the fair value was derived having taken into consideration the rental and capital transactions in the vicinity of the investment properties, the passing rents and the estimated rental values of the properties which have been capitalised using investment yields. The fair value, after deducting purchaser's costs, was compared to other capital transactions on a capital value per square foot basis.

Residential investment properties

Valuations are based on comparable market transactions that consider the sale of similar properties that have been transacted in the open market.

16. Subsequent events

On 17 May 2022, Sanjuro United Pte. Ltd. ("Offeror") announced a voluntary conditional cash offer by Oversea-Chinese Banking Corporation Limited for and on behalf of the Offeror to acquire all the issued and paid-up ordinary shares in the capital of Hwa Hong Corporation Limited, other than any shares held in treasury and those shares held, directly or indirectly by the Offeror. On 5 July 2022, the Offeror triggered the Mandatory General Offers ("MGO") for the shares as the Offeror and the persons acting in concert holds more than 30% interest of the total number of shares. On 27 July 2022, the MGO turned unconditional as the Offeror and the persons acting in concert, together with the valid acceptance holds more than 50% interest. On 1 August 2022, the offer was closed with approximately 92.29% of the shares being owned, controlled or agreed to be acquired by the Offeror and the concert party. On 2 August 2022, the Company requested the Singapore Exchange Securities Trading Limited to suspend the trading of the Company's shares as there was a loss of free float.

The Offeror is entitled to, and will in due course, exercise its rights of Compulsory Acquisitions under Section 215(1) of the Companies Act to compulsorily acquire all shares of shareholders who have not accepted the Offer at a price equal to the final offer price of S\$0.40 per share.

The Company is in the midst of reviewing the transaction costs relating to this general offer exercise.

Other Information Required by Listing Rule 7.2

G. Other information

1. (a) Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The condensed consolidated statement of financial position of Hwa Hong Corporation and its subsidiaries as at 30 June 2021 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.

(b) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

2. 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.

2(a)

Revenue (excluding all inter-segment transactions)

	1H2022 \$'000	1H2021 \$'000	+ / (-) %
Rental	3,102	4,724	(34.3)
Investments	4,262	522	n.m.
Corporate and Others	-	-	-
	<u>7,364</u>	<u>5,246</u>	

Decrease in revenue for rental segment by \$1.6 million was mainly due to: -

- Decrease in rental income from 20 Garrett Street by \$0.8 million as the property is currently vacant and undergoing refurbishment;
- Decrease in rental income from 20 Midtown by \$0.5 million as a portion of the property was under refurbishment in 1H2022.

Increase in revenue for investment segment by \$3.7 million was mainly due to distribution of profits from its investment in Gaw NP Growth Vietnam Fund 1 LP (Cayman) ("Gaw Fund").

Profit before taxation (excluding all inter-segment transactions)

	1H2022 \$'000	1H2021 \$'000	+/(-) %
Rental	14,073	2,116	n.m.
Investments	348	1,955	(82.2)
Corporate and Others	(2,020)	(1,005)	n.m.
	<u>12,401</u>	<u>3,066</u>	
Unallocated items	(259)	(1,021)	(74.6)
	<u><u>12,142</u></u>	<u><u>2,045</u></u>	

Rental segment refers to rental of residential, commercial properties and warehouse. Profit before taxation for Rental segment increased by \$12.0 million mainly due to:-

- Increase in gain on disposal of investment properties by \$12.8 million;
- Absence of impairment of trade receivables of \$0.6 million; partially offset by
- Decrease in rental revenue of \$1.6 million as mentioned above.

Investment segment refers to investment holding. Profit before taxation decreased by \$1.6 million mainly due to:

- decrease in fair value gains changes in FVPL investment securities of \$2.9 million;
- decrease in share of results of associates and joint ventures by \$1.2 million;
- carried interest relating to Gaw Fund of \$1.3 million; partially offset by
- increase in dividend income of \$3.7 million.

Corporate segment refers to the provision of management, administrative and support services to related companies and investment holding. The loss before taxation for the Corporate segment increased by \$1.0 million mainly due to legal and professional fees incurred in relation to the General Offer exercise.

Unallocated items refer to items such as finance costs and certain foreign exchange differences which are managed on a Group basis and are not allocated to the segments. The losses in 1H2022 were mainly due to finance cost of \$0.5 million and foreign exchange gain of \$0.3 million.

Other information on interim consolidated income statement

2(a)(1) Changes in fair value of investment securities of \$1.2 million in 1H2022 was mainly due to net decreases in fair values for fair value through profit and loss (“FVPL”) investment securities arising from unfavourable market conditions on the Korean investment securities that were being held by the Group. The KOSPI Index decreased from 2,978 as at 31 December 2021 to 2,333 as at 30 June 2022.

2(a)(2) Other income comprised the following:

	1H2022	1H2021	+/(−)
	\$'000	\$'000	%
Interest income	-	9	n.m.
Gain on disposal of investment properties (a)	13,995	1,189	n.m.
Rental income from an associated company	14	13	7.7
Management fee from an associated company	2	2	n.m.
Reimbursement of expenses from an associated company	5	4	25.0
Grant income (b)	5	74	(93.2)
Sundry	210	122	72.1
	<u>14,231</u>	<u>1,413</u>	

(a) Gain on disposal of investment properties increased by \$12.8 million. The Group completed the disposal of 58 Queensgate property in 1H2022 with a gain of \$14.0 million. In 1H2021, one residential property in London was sold in 1H2021 with a gain of \$1.2 million.

(b) In 1H2021, the Group received government grant under the Jobs Support Scheme (“JSS”) and JSS and Rental Relief Framework.

2(a)(3) Foreign exchange gain of \$0.3 million arose from translation of foreign currencies balances on certain monetary items as Sterling Pound had weakened against Singapore dollar from 1.815285 as at 31 December 2021 to 1.717547 as at 30 June 2022.

2(a)(4) Other operating costs comprised the following:

		1H2022	1H2021	+/(-)
		\$'000	\$'000	%
Fund management fees	a	1310	-	n.m.
Legal and professional fees	b	935	-	n.m.
Impairment loss in trade receivables	c	-	616	n.m.
		<u>2,245</u>	<u>616</u>	

- a. Fund management fees relates to carried interest incurred in relation to an unquoted investment securities.
- b. Additional legal and professional fees relates to costs incurred in relation to:
 - i. the General Offer exercise and
 - ii. the appointment of independent reviewers in relation to the issuance of Notice of Compliance from SGX in current year.
- c. Impairment loss in trade receivables in 1H2021 was made following an assessment exercise to determine collectability of the trade debts.

2(a)(5) Finance costs decreased by \$0.2 million mainly due to a lower average loan balance during the respective periods.

2(a)(6) Share of results of associates and joint ventures decreased by \$1.2 million mainly due to:-

- a) Share of losses of \$1.9 million from Shorea Capital Pte Ltd. The share of losses of \$1.9 million included \$1.6 million which was unrecognised share of losses in the past not recognised as at 31 December 2021 as the share of losses exceeded the Group's interest in this associate. During the year, the Group capitalised the shareholder loan to equity. Accordingly, the share of unrecognised loss of \$1.6 million was recognised in current year. In current year, there's an additional \$0.3 million share of losses contributed from this associated company.
- b) Increase in share of profits of \$0.5 million from Scotts Spazio arising from the reduction of depreciation of its investment properties subsequent to the extension of the property leasehold period.

2(a)(7) The taxation charge for the Group for 1H2022 was a credit balance mainly due to reversal of deferred taxation relating to accrued interest further to a loan restructuring exercise.

2(b)

Information on interim consolidated statement of financial position

- 2(b)(1) Investment properties decreased by \$2.9 million mainly due to:
- a. translation loss arising from the UK properties as Sterling Pound had weakened against Singapore Dollar;
 - b. depreciation; partially offset by
 - c. additions during the period.
- 2(b)(2) Investment in associates decreased by \$1.9 million mainly due to:
- a. pro-rata distribution of investment of \$1.9 million in Shorea Capital London Office Fund LP ("SCLOF") where the interest held in SCLOF declined from 37.86% as at 31 December 2021 to 29.6% as at 30 June 2022;
 - b. distribution of dividends from an associate of \$0.8 million;
 - c. share of losses of \$1.0 million;
 - d. share of currency translation loss of associated companies of \$1.0 million; partially offset by
 - e. Additional investment in an associate, Shorea Capital Pte Ltd during the period;
 - f. Capitalisation of shareholder loan of \$1.9 million to cost of investment in Shorea Capital Pte Ltd during the period;
- 2(b)(3) Non-current investment securities decreased by \$4.6 million mainly due to capital distribution of \$0.8 million from two of the investment securities and fair value loss of \$3.6 million in FVOCI investments.
- 2(b)(4) Other receivables increased by \$0.5 million mainly due to increase in amounts due from property manager.
- 2(b)(5) Amount due from subsidiaries decreased by \$4.8 million mainly due receipts of payments during the period.
- 2(b)(6) Amount due from associates decreased by \$1.8 million mainly due to capitalisation of shareholder loan to the associated company, Shorea Capital Pte Ltd during the period.
- 2(b)(7) Current investment securities increased by \$0.5 million mainly due to net acquisition of investment securities of \$1.7 million made during the period, partially offset by \$1.2 million of fair value loss.
- 2(b)(8) Decrease in Group's cash at bank balances of \$5.3 million was mainly due to payment of dividends, repayment of bank loans, additions to investment properties, additional investments in associates partially offset by proceeds from disposal of investment properties in London, proceeds from bank loans, proceeds from distribution of profits and capital from Gaw Fund and pro-rata distribution of investment in SCLOF. Increase in Company's cash at bank balances of \$0.8 million was mainly due to receipt of dividends from a subsidiary partially offset by payment of dividends to shareholders and expenses during the year.
- 2(b)(9) Investment property classified as held for sale was completed in Jan 2022.

2(b)(10) Other payables increased by \$0.6 million was mainly due to legal and professional fees payables incurred in the period.

2(b)(11) Amounts due to associates decreased by \$1.4 million as the restricted cash held on behalf of an associate was transferred to the associate's liquidator as the entity was placed under liquidation during the period.

2(b)(12) Current bank loans decreased by \$39.8 million mainly due to:

- a. loan repayment of \$44.6 million;
- b. translation gain of \$0.6 million arising from weakening of sterling pound against Singapore Dollar; partially offset by
- c. reclassification of long term loan of \$5.2 million from non-current classification to current classification.

2(b)(13) Non-current bank loans increased by \$23.5 million mainly due:

- a. new loan of \$31.9 million drawn down during the period; partially offset by
- b. Reclassification of long term loan of \$5.2 million from non-current classification to current classification;
- c. Translation gain of \$2.7 million arising from weakening of Sterling pound against Singapore Dollar.

2(b)(14) Deferred taxation decreased by \$0.8 million mainly due to decrease in deferred taxation on accrued interest income arising from loan restructuring exercise carried out for the Group.

Information on condensed interim consolidated statement of cash flows

The Group's cash and bank balances remain healthy at \$36.9 million at 30 June 2022 as compared to \$38.5 million as at 31 December 2021. The net cash flows from operating activities were in a slight deficit balance mainly due to investment in current investment securities during the financial period.

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

Not applicable.

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 reporting period and the next 12 months.**

The group faces significant macroeconomic and political uncertainty brought about by, *inter alia*, the Russia-Ukraine war and COVID-19. With inflation at multi-year highs across most countries and rising interest rates, the group expects volatility in the real estate markets globally due to increased construction costs and borrowing costs, respectively. In addition, the volatility of the SGD/GBP exchange rate may also affect the group's performance. Notwithstanding this, the group expects its properties and real estate investments to perform in line with expectations.

5. **Dividend**

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

6. INTERESTED PERSON TRANSACTIONS

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	Nil	Nil [^]

[^] There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

7. CONFIRMATION BY THE BOARD

The Board of Directors of Hwa Hong Corporation Limited confirms that to the best of its knowledge, nothing has come to its attention which may render the interim financial results to be false or misleading in any material respect.

8. UNDERTAKINGS CONFIRMATION

The Company hereby confirms that the undertakings as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual has been procured from all its Directors and Executive Officers.

SUBMITTED BY

Lee Soo Wei
Chief Financial Officer
12 August 2022