

Company Registration No. 195200130C

**Hwa Hong Corporation Limited
and its Subsidiaries**

Condensed Interim Financial Statements
For the six months and full year ended 31 December 2021

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Hwa Hong Corporation Limited and its Subsidiaries

A. Condensed interim consolidated income statement

		The Group						
				Financial Year Ended				
		2H2021	2H2020	+/(–)	31.12.2021	31.12.2020	+/(–)	
Note		\$'000	\$'000	%	\$'000	\$'000	%	
	Revenue (a)	4	4,878	5,279	(7.6)	10,124	10,311	(1.8)
	Cost of sales		(2,210)	(2,160)	2.3	(4,403)	(4,278)	2.9
	Changes in fair value of investment securities (a)		(1,867)	5,011	n.m.	(137)	5,225	n.m.
	Gross profit		801	8,130	(90.1)	5,584	11,258	(50.4)
	Other income (a)		4,188	3,973	5.4	5,601	6,978	(19.7)
	General and administrative costs (a)		(2,944)	(3,579)	(17.7)	(5,834)	(6,484)	(10.0)
	Foreign exchange gain/(loss) (a)		233	(233)	n.m.	(112)	(161)	(30.4)
	Other operating costs (a)		(343)	(3,253)	(89.5)	(959)	(5,109)	(81.2)
	Finance costs (a)		(874)	(873)	0.1	(1,598)	(1,919)	(16.7)
	Share of after tax results of associates and joint ventures (a)		2,333	265	n.m.	2,757	505	n.m.
	Profit before taxation	6	3,394	4,430	n.m.	5,439	5,068	7.3
	Taxation (a)	7	527	(35)	n.m.	348	(907)	n.m.
	Net profit after taxation		3,921	4,395	n.m.	5,787	4,161	39.1
	Attributable to:							
	Owners of the Company		3,941	4,371	(9.8)	5,717	4,155	37.6
	Non-controlling interests		(20)	24	n.m.	70	6	n.m.
	Profit for the period/year attributable to owners of the Company		3,921	4,395		5,787	4,161	
	Earnings per share (cents):							
	Basic and fully diluted		0.60	0.67		0.88	0.64	

Remarks:

(a) Please refer to "Other information" pages 41 to 45 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

	The Group					
			Financial Year Ended			
	2H2021	2H2020	+ / (-)	31.12.2021	31.12.2020	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Net profit after taxation	3,921	4,395	(10.8)	5,787	4,161	39.1
<u>Other comprehensive income:</u>						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Net change on investment securities (a)	(1,342)	(997)	34.6	(368)	(1,463)	(74.8)
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation (b)	(2,125)	1,292	n.m.	351	687	(48.9)
Revaluation gain realised by an associate to income statement	(130)	(125)	4.0	(130)	(253)	(48.6)
Other comprehensive income, net of tax	(3,597)	170		(147)	(1,029)	
Total comprehensive income for the period	324	4,565		5,640	3,132	
Total comprehensive income for the period attributable to:						
Owner of the Company	345	4,541	(92.4)	5,571	3,126	78.2
Non-controlling Interests	(21)	24	n.m.	69	6	n.m.
	324	4,565		5,640	3,132	

Remarks:

- a) Net loss on Fair Value through Other Comprehensive Income ("FVOCI") investment securities in FY2021 and 2H2021 of \$0.4 million and \$1.3 million respectively were mainly due to decreases 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 strengthening of the Sterling Pound against Singapore Dollar resulted in overall net foreign exchange gain of approximately \$0.4 million for FY2021. The weakening of the Sterling Pound against Singapore Dollar resulted in overall net foreign exchange loss of approximately \$2.1 million for 2H2021.

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

	Note	Group		Company	
		31.12.2021 \$'000	31.12.2020 \$'000	31.12.2021 \$'000	31.12.2020 \$'000
Non-current assets					
Property, plant and equipment		3,875	4,098	-	-
Investment properties*	10	142,556	146,935	-	-
Investment in subsidiaries*		-	-	172,368	173,826
Investment in joint ventures*		4,752	4,241	-	-
Investment in associates*		30,050	20,271	746	746
Investment securities*	11	18,961	23,174	-	-
Other receivables and assets*	12	4,700	16,079	-	-
		204,894	214,798	173,114	174,572
Current assets					
Trade receivables*	13	822	457	-	-
Prepayments and deposits		161	149	28	41
Other receivables and assets*		3,351	2,605	-	-
Amounts due from subsidiaries*		-	-	10,247	5,069
Amounts due from associates*		6,227	5,773	-	-
Investment securities*	11	23,387	17,328	-	-
Cash and bank balances*		42,230	44,679	332	3,997
Investment property classified as held for sale*	17	3,165	-	-	-
		79,343	70,991	10,607	9,107
Current liabilities					
Bank overdraft (secured)	14	(377)	(229)	-	-
Trade payables		(362)	(475)	-	-
Other payables*		(3,486)	(3,862)	(380)	(376)
Accrued operating expenses		(2,429)	(2,196)	(193)	(244)
Derivatives		-	(46)	-	-
Amounts due to associates		(1,996)	(1,980)	(366)	(359)
Bank loans (secured)*	14	(52,599)	(72,805)	-	-
Tax payable*		(1,889)	(2,354)	-	(2)
		(63,138)	(83,947)	(939)	(981)
Net current assets/(liabilities)		16,205	(12,956)	9,668	8,126
Non-current liabilities					
Bank loans (secured)*	14	(23,355)	(4,398)	-	-
Deferred tax liabilities*		(5,211)	(4,914)	-	-
Other payables*		(6,356)	(5,466)	-	-
		(34,922)	(14,778)	-	-
Net assets		186,177	187,064	182,782	182,698

*refer to other information – note 2(b)(1) to 2(b)(19) 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	
		31.12.2021 \$'000	31.12.2020 \$'000	31.12.2021 \$'000	31.12.2020 \$'000
Equity attributable to owner of the Company					
Share capital	15	172,154	172,154	172,154	172,154
Treasury shares	15	(260)	(260)	(260)	(260)
Capital reserve		376	506	-	-
Revenue reserve		40,196	39,956	10,888	10,804
Fair value reserve		(4,559)	(3,141)	-	-
Currency translation reserve		(21,784)	(22,136)	-	-
		<u>186,123</u>	<u>187,079</u>	<u>182,782</u>	<u>182,698</u>
Non-controlling interests		54	(15)	-	-
Share capital and reserves		<u>186,177</u>	<u>187,064</u>	<u>182,782</u>	<u>182,698</u>

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 1.1.2021	172,154	(260)	506	39,956	(3,141)	(22,136)	(15)	187,064
Total comprehensive income for the year	-	-	(130)	5,717	(368)	352	69	5,640
Dividends paid	-	-	-	(6,527)	-	-	-	(6,527)
Transfer of fair value reserves of investment securities at FVOCI upon disposal	-	-	-	1,050	(1,050)	-	-	-
Balance at 31.12.2021	172,154	(260)	376	40,196	(4,559)	(21,784)	54	186,177
Balance at 1.1.2020	172,154	(260)	759	42,328	(1,678)	(22,823)	(21)	190,459
Total comprehensive income for the year	-	-	(253)	4,155	(1,463)	687	6	3,132
Dividends paid	-	-	-	(6,527)	-	-	-	(6,527)
Balance at 31.12.2020	172,154	(260)	506	39,956	(3,141)	(22,136)	(15)	187,064

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

Hwa Hong Corporation Limited and its Subsidiaries

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 1.1.2021	172,154	(260)	10,804	182,698
Total comprehensive income for the year	-	-	6,611	6,611
Dividends paid	-	-	(6,527)	(6,527)
Balance at 31.12.2021	<u>172,154</u>	<u>(260)</u>	<u>10,888</u>	<u>182,782</u>
Balance at 1.1.2020	172,154	(260)	9,477	181,371
Total comprehensive income for the year	-	-	7,854	7,854
Dividends paid	-	-	(6,527)	(6,527)
Balance at 31.12.2020	<u>172,154</u>	<u>(260)</u>	<u>10,804</u>	<u>182,698</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

	The Group	
	Financial Year Ended	
	31.12.2021	31.12.2020
	\$'000	\$'000
Cash flows from operating activities:		
Profit before taxation	5,439	5,068
Adjustments for:		
Interest income	(198)	(529)
Interest expense	1,598	1,919
Fair value changes in investment securities	137	(5,225)
Fair value (gain)/loss on derivatives	(48)	15
Dividend income from investment securities	(888)	(863)
Depreciation of property, plant and equipment and investment properties	2,668	2,665
Share of results of associates and joint ventures	(2,757)	(505)
Gain on disposal of investment properties	(4,133)	(5,875)
Gain on disposal of joint venture	(763)	-
Impairment on trade receivables	959	-
Impairment on investment properties	-	3,069
Impairment on other receivables	-	2,025
Others	(126)	(15)
	(3,551)	(3,319)
Operating cash flows before changes in working capital	1,888	1,749
(Increase)/decrease in receivables and current investments	(7,892)	6,470
(Decrease)/increase in payables	(406)	730
	(8,298)	7,200
Cash flows (used in)/from operations	(6,410)	8,949
Interest received	58	404
Interest paid	(1,553)	(1,830)
Dividend income from investment securities	888	863
Income taxes paid	(132)	(93)
	(739)	(656)
Net cash flows (used in)/from operating activities carried forward	(7,149)	8,293

Hwa Hong Corporation Limited and its Subsidiaries

E. Condensed interim consolidated statement of cash flows

	Financial Year Ended	
	31.12.2021	31.12.2020
	\$'000	\$'000
Net cash flows (used in)/from operating activities brought forward	(7,149)	8,293
Cash flows from investing activities:		
Decrease in investment securities, net	3,915	623
Increase in investment in associates	(11,663)	(1,193)
Dividends received from an associate	4,000	4,000
Increase in amounts due from associates	(314)	(480)
Increase in investment in joint ventures	(524)	(1,029)
Decrease/(increase) in amounts due from joint ventures	11,351	(2,886)
Proceeds from disposal of joint venture	1,529	-
Proceeds from disposal of investment properties	5,803	9,024
Subsequent expenditure on investment properties	(1,632)	(1,262)
Purchase of property, plant and equipment	(65)	(156)
Net cash flows from investing activities	12,400	6,641
Cash flows from financing activities:		
Proceeds from bank loans	6,609	4,058
Repayments of bank loans	(8,847)	(7,102)
(Increase)/decrease in pledged deposits	(267)	4,000
Increase/(decrease) in loan from non-controlling interests	906	(224)
Dividends paid on ordinary shares	(6,527)	(6,527)
Net cash flows used in financing activities	(8,126)	(5,795)
Net (decrease)/increase in cash and cash equivalents	(2,875)	9,139
Cash and cash equivalents at beginning of the year	27,719	18,539
Effects of exchange rate changes on cash and cash equivalents	7	41
Cash and cash equivalents at end of the year	24,851	27,719

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	
	Financial Year Ended	
	31.12.2021	31.12.2020
	\$'000	\$'000
Cash and bank balances:	42,230	44,679
Less: cash and bank balances pledged	(15,558)	(15,287)
Less: bank overdrafts	(377)	(229)
Less: restricted cash	(1,444)	(1,444)
Cash and cash equivalents at end of year	<u>24,851</u>	<u>27,719</u>

The restricted cash relates to cash held on behalf of an 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 31 December 2021 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

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 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 interim financial statement for the period ended 30 June 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.

During the year, in the accounting of investment in joint ventures and associates, where the Company has an interest in an associate or joint venture that is an investment entity, the Company has selected that when applying the equity method, the Company may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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.

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F. Notes to the condensed interim consolidated financial statements

2.1 *New and amended standards adopted by the Group (cont'd)*

The Group and the Company have adopted the following amendments to SFRS(I), that is effective for the financial periods beginning on 1 January 2021:-

Description	Effective for annual periods periods beginning on or after
Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to SFRS(I)9, SFRS(I)1-39, SFRS(I)7, SFRS(I)4, SFRS(I)16: Interest Rate Benchmark Reform – Phase 2	1 January 2021

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 year ended 31 December 2021.

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 2020.

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 - Carrying value of investment property

Note 11 - Carrying value of equity investments

3. Seasonal operations

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

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.

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F. Notes to the condensed interim consolidated financial statements

4.1 Reportable Segment

	Rental	Investments	Corporate & Others	Note	Eliminations	Total
2H2021	\$'000	\$'000	\$'000		\$'000	\$'000
<u>Income Statement</u>						
Revenue						
- external	4,317	561	-		-	4,878
- inter-segment	-	-	-		-	-
Total revenue	4,317	561	-		-	4,878
Interest income (in other income)	-	(6)	1		-	(5)
Depreciation of property plant and equipment and investment properties	(1,240)	(15)	(66)		-	(1,321)
Fair value changes in investment securities	-	(1,867)	-		-	(1,867)
Gain on disposal of investment properties	2,944	-	-		-	2,944
Gain on disposal of a joint venture	-	763	-		-	763
Impairment loss on trade receivables	(343)	-	-		-	(343)
Share of results from associates and joint ventures	-	2,333	-		-	2,333
Profit/(loss) before taxation	3,819	1,227	(944)	A	(708)	3,394
<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	164,458	172,287	189,625	C	(242,133)	284,237
Segment liabilities	(129,956)	(17,756)	(3,343)	D	52,995	(98,060)

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F. Notes to the condensed interim consolidated financial statements

4.1 Reportable Segment (cont'd)

	Rental	Investments	Corporate & Others	Note	Eliminations	Total
2H2020	\$'000	\$'000	\$'000		\$'000	\$'000
<u>Income Statement</u>						
Revenue						
- external	4,488	791	-		-	5,279
- inter-segment	-	-	-		-	-
Total revenue	4,488	791	-			5,279
Interest income (in other income)	1	-	3		-	4
Depreciation of property plant and equipment and investment properties	(1,225)	(20)	(84)		-	(1,329)
Fair value changes in investment securities	-	5,011	-		-	5,011
Gain on disposal of investment properties	3,335	-	-		-	3,335
Impairment loss on other receivables	(11)	(167)	-		-	(178)
Impairment loss on investment properties	(3,069)	-	-		-	(3,069)
Share of results from associates and joint ventures	-	265	-		-	265
Profit/(loss) before taxation	1,244	5,243	(898)	A	(1,159)	4,430
<u>Balance Sheet as at 31 December 2020</u>						
Investment in joint ventures	-	4,241	-		-	4,241
Investment in associates	-	20,271	-		-	20,271
Additions to non-current assets	1,420	6	135	B	-	1,561
Segment assets	166,107	176,818	185,690	C	(242,824)	285,791
Segment liabilities	(124,972)	(13,591)	(3,293)	D	43,130	(98,726)

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F. Notes to the condensed interim consolidated financial statements

	Rental	Investments	Corporate & Others	Note	Eliminations	Total
FY2021	\$'000	\$'000	\$'000		\$'000	\$'000
<u>Income Statement</u>						
Revenue						
- external	9,041	1,083	-		-	10,124
- inter-segment		-	-		-	-
Total revenue	9,041	1,083	-			10,124
Interest income (in other income)	-	-	3		-	3
Depreciation of property plant and equipment and investment properties	(2,486)	(41)	(141)		-	(2,668)
Fair value changes in investment securities	-	(137)	-		-	(137)
Gain on disposal of investment properties	4,133	-	-		-	4,133
Gain on disposal of a joint venture	-	763	-		-	763
Impairment loss on trade receivables	(959)	-	-		-	(959)
Share of results from associates and joint ventures	-	2,757	-		-	2,757
Profit/(loss) before taxation	5,935	3,182	(1,949)	A	(1,729)	5,439
<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	164,458	172,287	189,625	C	(242,133)	284,237
Segment liabilities	(129,956)	(17,756)	(3,343)	D	52,995	(98,060)

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F. Notes to the condensed interim consolidated financial statements

	Rental	Investments	Corporate & Others	Note	Eliminations	Total
FY2020	\$'000	\$'000	\$'000		\$'000	\$'000
<u>Income Statement</u>						
Revenue						
- external	8,957	1,354	-		-	10,311
- inter-segment	-	-	-		-	-
Total revenue	8,957	1,354	-			10,311
Interest income (in other income)	4	-	34		-	38
Depreciation of property plant and equipment and investment properties	(2,448)	(41)	(176)		-	(2,665)
Fair value changes in investment securities	-	5,225	-		-	5,225
Gain on disposal of investment properties	5,875	-	-		-	5,875
Impairment loss on other receivables	(1,858)	(167)	-		-	(2,025)
Impairment loss on investment properties	(3,069)	-	-		-	(3,069)
Share of results from associates and joint ventures	-	505	-		-	505
Profit/(loss) before taxation	3,317	5,624	(1,861)	A	(2,012)	5,068
<u>Balance Sheet</u>						
Investment in joint ventures	-	4,241	-		-	4,241
Investment in associates	-	20,271	-		-	20,271
Additions to non-current assets	1,420	6	135	B	-	1,561
Segment assets	166,107	176,818	185,690	C	(242,824)	285,791
Segment liabilities	(124,972)	(13,591)	(3,293)	D	43,130	(98,726)

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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:

	2H2021 \$'000	2H2020 \$'000	Financial Year Ended 31.12.202	
			1 \$'000	31.12.2020 \$'000
Unallocated income/(expense)	166	(286)	(131)	(93)
Finance costs	(874)	(873)	(1,598)	(1,919)
	<u>(708)</u>	<u>(1,159)</u>	<u>(1,729)</u>	<u>(2,012)</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:

	31.12.2021 \$'000	31.12.2020 \$'000
Cash and bank balances	42,230	44,679
Inter-segment assets	(284,363)	(287,504)
	<u>(242,133)</u>	<u>(242,825)</u>

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

	31.12.2021 \$	31.12.2020 \$
Bank loans	75,954	77,203
Bank overdraft	377	229
Income tax payable	1,889	2,354
Deferred tax liabilities	5,211	4,914
Inter-segment liabilities	(136,426)	(127,830)
	<u>(52,995)</u>	<u>(43,130)</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

4.2 Disaggregation of Revenue

	Rental	Investments	Corporate & Others	Total
2H2021	\$'000	\$'000	\$'000	\$'000
Types of goods or service:				
Rental income from investment properties	4,317	-	-	4,317
Dividend income from investment securities	-	458	-	458
Interest income	-	103	-	103
Total revenue	4,317	561	-	4,878
Timing of revenue recognition:				
At a point in time	-	561	-	561
Over time	4,317	-	-	4,317
Total revenue	4,317	561	-	4,878
Geographical information				
Singapore	2,459	443	-	2,902
United Kingdom	1,858	118	-	1,976
	4,317	561	-	4,878
2H2020	Rental	Investments	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000
Types of goods or service:				
Rental income from investment properties	4,488	-	-	4,488
Dividend income from investment securities	-	602	-	602
Interest income	-	189	-	189
Total revenue	4,488	791	-	5,279
Timing of revenue recognition:				
At a point in time	-	791	-	791
Over time	4,488	-	-	4,488
Total revenue	4,488	791	-	5,279
Geographical information				
Singapore	2,501	675	-	3,176
United Kingdom	1,987	116	-	2,103
	4,488	791	-	5,279

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

	Rental	Investments	Corporate & Others	Total
FY2021	\$'000	\$'000	\$'000	\$'000
Types of goods or service:				
Rental income from investment properties	9,041	-	-	9,041
Dividend income from investment securities	-	888	-	888
Interest income	-	195	-	195
Total revenue	9,041	1,083	-	10,124
Timing of revenue recognition:				
At a point in time	-	1,083	-	1,083
Over time	9,041	-	-	9,041
Total revenue	9,041	1,083	-	10,124
Geographical information				
Singapore	4,934	845	-	5,779
United Kingdom	4,107	238	-	4,345
	9,041	1,083	-	10,124
	Rental	Investments	Corporate & Others	Total
FY2020	\$'000	\$'000	\$'000	\$'000
Types of goods or service:				
Rental income from investment properties	8,957	-	-	8,957
Dividend income from investment securities	-	863	-	863
Interest income	-	491	-	491
Total revenue	8,957	1,354	-	10,311
Timing of revenue recognition:				
At a point in time	-	1,354	-	1,354
Over time	8,957	-	-	8,957
Total revenue	8,957	1,354	-	10,311
Geographical information				
Singapore	5,002	1,124	-	6,126
United Kingdom	3,955	230	-	4,185
	8,957	1,354	-	10,311

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

Geographical information:

	FY2021		FY2020	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000	Non-current assets \$'000
Singapore	5,778	105,672	6,126	101,790
United Kingdom	4,346	99,222	4,185	113,008
	10,124	204,894	10,311	214,798

Information about a major customer

Revenue of \$4.4 million (2020: \$4.4 million) was derived from a single external customer. This revenue was derived in Singapore and relates to rental income.

A breakdown of sales.

	GROUP		
	FY2021 \$'000	FY2020 \$'000	+ / (-) %
(a) Revenue reported for first half year	5,246	5,032	4.3
(b) Operating profit after tax before deducting minority interests reported for first half year	1,866	(234)	n.m.
(c) Revenue reported for second half year	4,878	5,279	(7.6)
(d) Operating profit after tax before deducting minority interests reported for second half year	3,921	4,395	(10.8)

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 31 December 2021 and 31 December 2020:

	Note	Group 31.12.2021 \$'000	Group 31.12.2020 \$'000
Financial assets measured at amortised cost			
Other receivables (exclude deferred rental receivable)		3,041	13,405
Trade receivables		822	457
Amounts due from associates		6,227	5,773
Cash and bank balances		42,230	44,679
		52,320	64,314
Equity securities			
<i>At fair value through profit and loss</i>			
- Quoted equity securities (current)	11	20,409	16,033
- Quoted debt instruments (current)	11	1,000	–
- Unquoted debt instruments	11	1,978	1,295
<i>At fair value through other comprehensive income</i>			
- Quoted equity securities (non-current)	11	3,093	5,597
- Quoted non-equity securities (non-current)	11	4,105	4,307
- Unquoted equity securities (non-current)	11	11,763	13,270
		42,348	40,502
Financial liabilities measured at amortised cost			
Bank overdraft		377	229
Trade payable		362	475
Other payables (exclude deferred income, rental received in advance and other tax payables)		9,503	8,631
Accrued operating expenses		2,429	2,196
Amounts due to associates		1,996	1,980
Bank loans (secured)		75,954	77,203
		90,621	90,714

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

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

	Group	
	31.12.2021	31.12.2020
	\$'000	\$'000
<i>Financial liabilities at fair value through profit and loss</i>		
Derivatives	–	46
	<hr/> <hr/>	<hr/> <hr/>
	Company	
	31.12.2021	31.12.2020
	\$'000	\$'000
<i>Financial assets measured at amortised cost</i>		
Amounts due from subsidiaries	10,247	5,069
Cash and bank balances	332	3,997
	<hr/>	<hr/>
	10,579	9,066
	<hr/> <hr/>	<hr/> <hr/>
<i>Financial liabilities measured at amortised cost</i>		
Other payables	380	376
Accrued operating expenses	193	244
Amounts due to associates	366	359
	<hr/>	<hr/>
	939	979
	<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

	The Group			
			Financial Year Ended	
	2H2021	2H2020	31.12.2021	31.12.2020
	\$'000	\$'000	\$'000	\$'000
Dividend income (included in revenue)	458	602	888	863
Interest income (included in revenue)	103	189	195	491
Interest on borrowings	(874)	(873)	(1,598)	(1,919)
Depreciation on property, plant and equipment and investment properties	(1,321)	(1,329)	(2,668)	(2,665)
Fair value changes in investment securities	(1,867)	5,011	(137)	5,225
Fair value gains/(losses) on derivative financial instruments	48	(6)	48	(15)
Foreign exchange gain/(loss)	233	(233)	(112)	(161)
Overprovision (net) of taxation in prior years	902	78	1,043	16
Other income:				
- Gain on disposal of investment properties	2,944	3,335	4,133	5,875
- Gain on disposal of joint venture	763	-	763	-
Impairment loss on other receivables	-	(178)	-	(2,025)
Impairment loss on trade receivables	(343)	-	(959)	-
Impairment loss on investment properties	-	(3,069)	-	(3,069)
Share of after tax results of associates and joint ventures	2,333	265	2,757	505

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		Group	
	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
<u>Income statement</u>				
Interest income from associates	69	63	139	125
Rental income from an associated company	17	12	30	23
Management fees from an associated company	1	1	3	3
Reimbursement of expense from an associated company	4	4	8	8

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

6.2 Related party transactions (cont'd)

	Company		Company	
	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
<u>Income statement</u>				
Management fees paid and payable to a subsidiary	(49)	(48)	(112)	(120)
Rental fee paid and payable to a subsidiary	(28)	(28)	(56)	(56)
Reimbursement of expense to a subsidiary	(5)	(5)	(11)	(12)

7. Taxation

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

	Group			
	2H2021 \$'000	2H2020 \$'000	31.12.2021 \$'000	31.12.2020 \$'000
<u>Current income tax</u>				
- current income taxation	(257)	(426)	(409)	(1,095)
- overprovision (net) in respect of previous years	902	78	1,043	16
<u>Deferred income tax</u>				
- origination and reversal of temporary differences	(118)	313	(286)	172
	<u>527</u>	<u>(35)</u>	<u>348</u>	<u>(907)</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

8. Dividends

	Group	
	Financial Year 2021 \$'000	2020 \$'000
In respect of financial year ended 31 December 2019:		
- Final exempt (one-tier) dividend of 1.0 cents per share	-	6,527
In respect of financial year ended 31 December 2020:		
- Final exempt (one-tier) dividend of 1.0 cents per share	6,527	-
	<u>6,527</u>	<u>6,527</u>

9. Net asset value

	Group		Company	
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
Net asset value per ordinary share (cents)	28.53	28.66	28.01	27.99

10. Investment properties

Group	Freehold land \$'000	Buildings \$'000	Construction in-progress \$'000	Total \$'000
Cost				
At 31 December 2020	76,196	94,961	2,001	173,158
Additions (subsequent expenditure)	-	972	710	1,682
Disposal	(1,113)	(1,004)	-	(2,117)
Investment property classified as held for sale	(753)	(5,137)	-	(5,890)
Currency realignment	607	783	-	1,390
At 31 December 2021	<u>74,937</u>	<u>90,575</u>	<u>2,711</u>	<u>168,223</u>
Accumulated depreciation and impairment loss				
At 31 December 2020	-	26,223	-	26,223
Depreciation for the year	-	2,380	-	2,380
Disposal	-	(317)	-	(317)
Investment property classified as held for sale	-	(2,725)	-	(2,725)
Currency realignment	-	106	-	106
At 31 December 2021	<u>-</u>	<u>25,667</u>	<u>-</u>	<u>25,667</u>
Net carrying amount				
At 31 December 2021	<u>74,937</u>	<u>64,908</u>	<u>2,711</u>	<u>142,556</u>
At 31 December 2020	<u>76,196</u>	<u>68,738</u>	<u>2,001</u>	<u>146,935</u>

Hwa Hong Corporation Limited and its Subsidiaries

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.

The valuation methods applied are further discussed in Note 16.

11. Investment securities

	<u>Group</u>	
	31.12.2021	31.12.2020
	\$'000	\$'000
<i>Current</i>		
At fair value through profit or loss		
- Equity securities (quoted)	20,409	16,033
- Debt instruments (quoted)	1,000	-
- Debt instruments (unquoted)	1,978	1,295
	<u>23,387</u>	<u>17,328</u>
<i>Non-current</i>		
At fair value through other comprehensive income		
- Equity securities (quoted)	3,093	5,597
- Equity securities (unquoted)	11,763	13,270
- Non-equity securities (quoted)	4,105	4,307
	<u>18,961</u>	<u>23,174</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	
	31.12.2021	31.12.2020
	\$'000	\$'000
MTQ Corporation Ltd	2,961	2,547
Pan Hong Holdings Group Ltd	132	115
Singapore Reinsurance Corporation Limited	-	2,935
DCG Asia Value Fund (Cayman)	-	258
Value Monetization III Ltd (BVI) ("VML")	1,862	1,613
Majuven Fund 1 Ltd	233	363
Accion Asia Growth Fund (Cayman) ("Accion Fund")	254	249
GAW NP Capital Vietnam Fund 1 LP (Cayman) ("Gaw Fund")	3,083	3,893
COGC Allen House, LP (Cayman)	6,331	6,894
	<u>14,856</u>	<u>18,867</u>

During the year, the Group disposed of certain of its investments for cash and realised the capital appreciation. These investments had a fair value of \$3,815,500 at the date of disposal. The cumulative gain on disposal of \$1,050,386 was reclassified from fair value reserve to retained profits.

The Group did not dispose any FVOCI equity instruments during the previous year.

12. Other receivables and assets

	Group	
	31.12.2021	31.12.2020
	\$'000	\$'000
Non-current		
Amounts receivable from joint venture	-	11,014
Deferred rental receivable	4,700	5,065
	<u>4,700</u>	<u>16,079</u>

The amount receivable from joint venture of \$11,014,211 was non-interest bearing, unsecured, non-trade related. This amount was repaid during the year.

Deferred rental receivable relates to lease income that remains to be amortised over the lease term on a straight-line basis. The amount is mainly contributed by rental income from a Singapore investment property, for which a subsidiary has entered into a 15-year commercial property lease and granted the lessee a 7-month rent free period.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

13. Trade receivables

	Group	
	31.12.2021	31.12.2020
	\$'000	\$'000
Trade receivables	1,027	457
Allowance for expected credit loss	(205)	–
	822	457
	822	457

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	
	31.12.2021	31.12.2020
	\$'000	\$'000
Trade receivables, nominal amounts	205	–
Allowance for expected credit loss	(205)	–
	–	–
	–	–

Movement of allowance for expected credit loss

	6 months	6 months	31.12.2021	31.12.2020
	ended	ended		
	31.12.2021	30.6.2021	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
At beginning of the period/year	(616)	–	–	–
Allowance for expected credit loss	(343)	(616)	(959)	–
Written off	751	–	751	–
Exchange differences	3	–	3	–
At end of the period/year	(205)	(616)	(205)	–
	(205)	(616)	(205)	–

At the end of the reporting period 31 December 2021, the Group determined an amount of \$205,000 (1H2021: \$616,000) to be impaired following an assessment to determine collectability of the debt.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

14. Bank loans and bank overdrafts

	Group			
	31.12.2021		31.12.2020	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bank overdrafts	377	-	229	-
Short term bank loans	52,599	-	72,805	-
	52,976	-	73,034	-

	31.12.2021		31.12.2020	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
	Long term bank loans	23,355	-	4,398

Details of any collateral

Short term bank loans comprised:

- a) An amount of \$20.3 million (2020: \$25.4 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 (2020: \$28.5 million) secured by a legal charge over a subsidiary's investment property and assignment of tenancy agreement in respect of the property.
- c) An amount of \$0.5 million (2020: \$1.0 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.

Long term bank loans comprised:

- a) \$5.2 million (2020: \$4.4 million) 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.
- b) \$18.2 million (2020: \$17.9 million classified under short term loan) is secured by a pledge of \$0.6 million (2020: \$0.3 million) on a subsidiary's fixed deposits, a corporate guarantee from a subsidiary and a legal charge over a subsidiary's investment property.

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

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

15. Share Capital

15.1 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.

	31/12/2021	31/12/2020
	\$'000	\$'000
Share capital	172,154	172,154
	<u>172,154</u>	<u>172,154</u>
	31/12/2021	31/12/2020
	'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
	<u>652,661</u>	<u>652,661</u>

15.2 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.

	31/12/2021	31/12/2020
	\$'000	\$'000
Share capital	172,154	172,154
	<u>172,154</u>	<u>172,154</u>
	31/12/2021	31/12/2020
	'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
	<u>652,661</u>	<u>652,661</u>

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

15. Share Capital (cont'd)

15.3 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.

15.4 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.

16. 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.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

16. 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:

31 December 2021	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	20,409	-	-	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	-	-	4,105
- Unquoted equity securities	-	-	11,763	11,763
	28,607	-	13,741	42,348

F. Notes to the condensed interim consolidated financial statements

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

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

	Group			Total
	Fair value measurements at the end of the period using			
31 December 2020	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	\$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Investment securities at FVPL (current)				
- Quoted equity securities	16,033	-	-	16,033
- Unquoted debt securities	-	-	1,295	1,295
Equity securities at FVOCI (non-current)				
- Quoted equity securities	5,597	-	-	5,597
- Quoted non-equity securities	4,307	-	-	4,307
- Unquoted equity securities	-	257	13,012	13,269
	25,937	257	14,307	40,501
Recurring fair value measurements				
Liabilities:				
Financial liabilities:				
Derivatives	-	(46)	-	(46)

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

(c) **Level 2 fair value measurement**

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Unquoted equity securities (non-current)

The investments relate to funds which invest primarily in equities that are publicly traded and listed in recognised stock exchanges. Fair values have been determined based on investor statements issued by the fund managers.

Derivatives (current)

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The Group has redeemed its derivative during the year.

(d) **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 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

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

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

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

Description	Fair value at 31 December 2020 \$'000	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Investment securities at FVPL			
- Unquoted debt securities (current)	1,295	Expected present value method	Discount rate
Equity securities at FVOCI			
- Unquoted equity investments, (non-current)	13,012	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.

Movements in Level 3 assets and liabilities measured at fair value

	Group 12 months ended 31.12.2021 \$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment securities at FVPL:	
Unquoted debt securities (current)	
At beginning of the year	1,295
Net change in fair value included in profit or loss	683
At end of the year	<u>1,978</u>
Equity securities:	
Unquoted equity investments (non-current)	
At beginning of the year	13,012
Net change in fair value included in other comprehensive income	(1,150)
Return of capital during the year	(109)
Purchased during the year	10
At end of the year	<u><u>11,763</u></u>

F. Notes to the condensed interim consolidated financial statements

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

(e) *Assets and liabilities not carried at fair value*

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December but 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) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	\$'000
31 December 2021				
Non-financial assets:				
Investment properties				
- Commercial	–	–	228,948	228,948
- Residential	–	–	11,089	11,089
	–	–	240,037	240,037
31 December 2020				
Non-financial assets:				
Investment properties				
- Commercial	–	–	219,653	219,653
- Residential	–	–	34,633	34,633
	–	–	254,286	254,286

Determination of fair value

Commercial 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.

Hwa Hong Corporation Limited and its Subsidiaries

F. Notes to the condensed interim consolidated financial statements

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

(e) *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.

17. Investment property classified as held for sale

On 13 December 2021, the Company entered into an agreement with a third party to dispose of its investment property at 58 Queensgate London for a consideration of GBP10,750,000.

The net carrying amount of the above property had been reclassified to investment property held for sale as follows:

	31.12.2021	31.12.2020
	S\$'000	S\$'000
Investment property (note 10)	<u>3,165</u>	<u>-</u>

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 31 December 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)

	2H2021 \$'000	2H2020 \$'000	+ / (-) %	2021 \$'000	2020 \$'000	+ / (-) %
Rental	4,317	4,488	(3.8)	9,041	8,957	0.9
Investments	561	791	(29.1)	1,083	1,354	(20.0)
	<u>4,878</u>	<u>5,279</u>		<u>10,124</u>	<u>10,311</u>	

Decrease in revenue for investments segment by \$0.3 million year-on-year ("yoy") was mainly due to decrease in interest income by \$0.3 million. Decrease in revenue for investments segment by \$0.2 million in 2H2020 to 2H2021 was mainly due to decrease in dividend income by \$0.1 million and interest income by \$0.1 million.

Profit before taxation (excluding all inter-segment transactions)

	2H2021 \$'000	2H2020 \$'000	+ / (-) %	2021 \$'000	2020 \$'000	+ / (-) %
Rental	3,819	1,244	n.m.	5,935	3,317	78.9
Investments	1,227	5,243	(76.6)	3,182	5,624	(43.4)
Corporate and Others	(944)	(898)	5.1	(1,949)	(1,861)	4.7
	4,102	5,589		7,168	7,080	
Unallocated items	(708)	(1,159)	(38.9)	(1,729)	(2,012)	(14.1)
	3,394	4,430		5,439	5,068	

Rental segment refers to rental of residential, commercial properties and warehouse. Profit before taxation for Rental segment increased by \$2.6 million yoy mainly due to:-

- Decrease in impairment loss of investment properties by \$3.1 million;
- Decrease in impairment loss of other receivables of \$1.9 million;
- Increase in gain from dilapidation income of \$0.3 million; partially offset by
- Decrease in gain on disposal of investment properties by \$1.7 million; and
- Increase in impairment of trade receivables of \$1.0 million.

Profit before taxation for Rental segment increased by \$2.6 million from 2H2020 to 2H2021 mainly due to:-

- Decrease in impairment loss of investment properties by \$3.1 million;
- Increase in gain from dilapidation income of \$0.3 million; partially offset by
- Decrease in gain on disposal of investment properties by \$0.4 million; and
- Increase in impairment of trade receivables of \$0.3 million.

Investment segment refers to investment holding. Profit before taxation decreased by \$2.4 million yoy mainly due to:-

- Decrease in fair value gains changes in FVPL investment securities of \$5.4 million;
- Decrease in interest income of \$0.3 million; partially offset by
- Decrease in impairment loss on other receivables by \$0.2 million;
- Gain from disposal of investment in a joint venture of \$0.8 million;
- Increase in share of results of associates and joint ventures by \$2.3 million.

Profit before taxation for Investment segment decreased by \$4.0 million from 2H2020 to 2H2021 mainly due to:

- Decrease in fair value gains from FVPL investment securities of \$6.9 million;
- Decrease in dividend income by \$0.1 million;
- Decrease in interest income by \$0.1 million; partially offset by
- Decrease in impairment loss on other receivables by \$0.2 million;
- Gain from disposal of investment in a joint venture of \$0.8 million;
- Increase in share of results of associates and joint ventures by \$2.1 million.

Profit before taxation (excluding all inter-segment transactions) (cont'd)

Corporate segment refers to the provision of management, administrative and support services to related companies and investment holding.

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 FY2021 were mainly due to finance cost of \$1.6 million and foreign exchange loss of \$0.1 million. The losses in 2H2021 were mainly due to finance cost of \$0.9 million partially offset by foreign exchange gain of \$0.2 million.

Other information on interim consolidated income statement

2(a)(1) Changes in fair value of investment securities of \$0.1 million in FY2021 and \$1.9 million in 2H2021 were 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 and Hong Kong investment securities that were being held by the Group. The KOSPI Index increased from 2,873 as at 31 December 2020 to 3,296 as at 30 June 2021 and decreased to 2,978 as at 31 December 2021, HSI Index increased from 27,231 as at 31 December 2020 to 28,828 as at 30 June 2021 and declined to 23,398 as at 31 December 2021.

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

	2H2021	2H2020	+/(-) %	2021	2020	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income	(6)	4	n.m.	3	38	(92.1)
Gain on disposal of investment properties	(a) 2,944	3,335	(11.7)	4,133	5,875	(29.7)
Other investment income	60	78	(23.1)	60	78	(23.1)
Rental income from an associated company	17	12	41.7	30	23	30.4
Management fee from an associated company	1	2	(50.0)	3	3	n.m.
Reimbursement of expenses from an associated company	4	3	33.3	8	8	-
Fair value gain on derivative financial instruments	48	-	n.m.	48	-	n.m.
Gain from disposal of investment in joint venture	(b) 763	-	n.m.	763	-	n.m.
Net dilapidation income	(c) 286	-	n.m.	286	-	n.m.
Grant income	(d) 19	470	(96.0)	93	708	(86.9)
Sundry	52	69	(24.6)	174	245	(29.0)
	<u>4,188</u>	<u>3,973</u>		<u>5,601</u>	<u>6,978</u>	

Other information on interim consolidated income statement (cont'd)

- (a) Gain on disposal of investment properties decreased by \$1.7 million yoy and \$0.4 million from 2H2020 to 2H2021. In FY2021, the Group sold one residential property in London in 1H2021 with a gain of \$1.2 million and one residential property in Singapore in 2H2021 with a gain of \$2.9 million. In FY2020, the Group sold one residential property in Singapore in 1H2020 with a gain of \$2.5 million and one residential property in Singapore in 2H2020 with a gain of \$2.5 million and one residential property in London in 2H2020 with a gain of \$0.9 million.
- (b) Gain from disposal of investment in joint venture was mainly due to disposal of investment in Loman Holdings Limited to SCLOF Holdings UK Limited during the year. SCLOF Holdings UK Limited is an entity held by SCLOF, an associated company of the Group. As Loman Holdings is being held by indirectly by the associated company, a portion of the gain of \$0.5 million was not recognised but adjusted against the carrying value of the associated company, SCLOF.
- (c) Net dilapidation income was mainly received from the single tenant in Garrett property after the tenant had moved out. This amount was received in relation to the tenant's repair obligations under the lease agreement.
- (d) In FY2020, the Group received more government grant under the Jobs Support Scheme ("JSS") and Rental Relief Framework compared to FY2021.
- 2(a)(3) General and administrative costs decreased by \$0.6 million yoy and from 2H2020 to 2H2021 mainly due to grant expense of \$0.5 million. The grant expense relates to grants provided to tenants under the Rental Relief Framework.
- 2(a)(4) Foreign exchange gain of \$0.2 million in 2H2021 arose from translation of foreign currencies balances on certain monetary items mainly due to weakening of Sterling Pound against Singapore Dollars from 1.873281 as at 30 June 2021 to 1.815285 as at 31 December 2021.
- 2(a)(5) Other operating costs comprised the following:

	2H2021	2H2020	+ / (-)	2021	2020	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Fair value loss on derivatives	-	6	n.m.	-	15	n.m.
Impairment loss in trade receivables (a)	343	-	n.m.	959	-	n.m.
Impairment loss in investment propertie (b)	-	3,069	n.m.	-	3,069	n.m.
Impairment loss in other receivables (c)	-	178	n.m.	-	2,025	n.m.
	<u>343</u>	<u>3,253</u>		<u>959</u>	<u>5,109</u>	

- (a) Impairment loss in trade receivables was made following an assessment exercise to determine collectability of the trade debts. The impairment loss came from 20 Midtown.
- (b) In FY2020, impairment loss in investment properties was due to decline in value of 20 Midtown property arising from an external valuation exercise carried out in FY2020.

Other information on interim consolidated income statement (cont'd)

- (c) In FY2020, impairment loss in other receivables was mainly due to bad debts written off on the deferred rental receivable of a 20 Midtown tenant in London. The deferred rental receivable relates to lease income that remains to be amortised over the lease term on a straight-line basis. The tenant had gone into administration during the period due, inter alia, to the current Covid-19 pandemic and the government imposed lockdown in the UK.

- 2(a)(6) Finance costs decreased by \$0.3 million yoy mainly due to a decline in interest rates during the respective periods.

- 2(a)(7) Share of results of associates and joint ventures increased by \$2.3 million yoy and \$2.1 million from 2H2020 to 2H2021 mainly due:
 - a) An increase in share of results from SCLOF of \$2.0 million yoy and from 2H2020 to 2H2021. As SCLOF is an investment entity, the Group has elected to retain the fair value measurement used by SCLOF when equity accounting for its investment in the associates. The share of results increased mainly due to an increase in the fair value of the underlying assets held by SCLOF;
 - b) An increase in share of results of \$0.2 million yoy from one of its joint ventures, Neo Pav E Investments LLP ("Neo Pav E") arising from the absence of a write-off in 2020 relating to a development cost.

- 2(a)(8) The taxation charge for the Group for FY2021 was a credit balance and 2H2021 was lower than that arrived at by applying the statutory tax rate of 17% to the profit before taxation mainly due to overprovision of tax, certain gains being capital in nature, absence of tax effect on share of results of associates and joint ventures, utilization of available tax losses, offset by certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for set off against profits of local subsidiaries.

2(b)

Information on interim consolidated statement of financial position

2(b)(1) Investment properties decreased by \$4.4 million mainly due to:

- a. disposal of a residential property in UK and a residential property in Singapore;
- b. depreciation;
- c. reclassification of a London residential property to Property classified as held for sale as an agreement was entered in Dec 2021 for the disposal of the property; partially offset by
- d. additions during the period;
- e. translation gain arising from the UK properties as Sterling Pound had strengthened against Singapore Dollar

2(b)(2) Investment in subsidiaries decreased by \$1.5 million due to an impairment on one of its subsidiaries as the recoverable amount of the subsidiary had declined during the year.

2(b)(3) Investment in joint ventures increased by \$0.5 million mainly due to additional investment of \$0.5 million.

2(b)(4) Investment in associates increased by \$9.8 million mainly due to:

- a. investment in a new associated company, SCLOF of \$10.8 million;
- b. additional investment in Clan Kilmuir of \$0.8 million;
- c. share of profits of \$2.8 million; partially offset by
- d. distribution of dividends from an associate of \$4 million
- e. adjustment to carrying value of associates of \$0.5 million as explained in 2(a)(2)(b).

2(b)(5) Non-current investment securities decreased by \$4.2 million mainly due to:

- a. disposal of its investment in Singapore Reinsurance Corporation Limited of \$3.5 million arising from an acceptance of the voluntary conditional cash offer from an offeror;
- b. disposal of its investment in DCG Asia Value Fund (Cayman) of \$0.3 million; and
- c. fair value losses of \$0.4 million during the year.

2(b)(6) Non-current other receivables decreased by \$11.4 million mainly due to repayment of amount receivables from its joint venture, Loman Holdings Limited arising from the disposal of this investment.

2(b)(7) Trade receivables increased by \$0.4 million mainly due to a delay in receivables from certain tenants in 20 Midtown arising from the negative impact of Covid-19. These receivables have been assessed to be recoverable based on certain payment plan/discussions that the subsidiary had with them.

Information on interim consolidated statement of financial position (cont'd)

- 2(b)(8) Other receivables increased by \$0.7 million mainly due to advance contribution of refurbishment loan of \$0.7 million by the non-controlling interest of Garrett Property Holdings Limited, held by the appointed property management company.
- 2(b)(9) Amounts due from subsidiaries increased by \$5.2 million mainly due to increase in dividend receivables of \$0.5 million from one of its subsidiaries.
- 2(b)(10) Amount due from associates increased by \$0.5 million mainly due to additional loan of \$0.3 million to an associated company, Shorea Capital Pte Ltd during the year.
- 2(b)(11) Current investment securities increased by \$6.1 million mainly due to net acquisition of investment securities of \$6.2 million made during the period partially offset by \$0.1 million of fair value losses.
- 2(b)(12) Decrease in Group's cash at bank balances of \$2.4 million was mainly due to payment of dividends, additional investments in associates, joint venture, net increase in investment securities, repayment of bank loans, additions to investment properties, partially offset by proceeds from disposal of residential properties in Singapore and London, proceeds from bank loans, proceeds from disposal of a joint venture, proceeds from disposal of FVOCI investments, repayment of shareholder loan from a joint venture and dividends received during the year. Decrease in Company's cash at bank balances of \$3.7 million was mainly due to payment of dividends to shareholders during the year partially offset by dividends received from a subsidiary.
- 2(b)(13) In December 2021, a subsidiary of the Company entered into an agreement with a third party to dispose of its investment property at 58 Queensgate London for a consideration of GBP10.8 million (approximately \$19.5 million). The net carrying value of the property of \$3.2 million had been reclassified to investment property held for sale.
- 2(b)(14) Current other payables reduced by \$0.4 million mainly due to the absence of deferred rent of \$0.3 million from Garret Property Holdings Ltd. The property is presently vacant and undergoing refurbishment.
- 2(b)(15) Current bank loans decreased by \$20.2 million mainly due to:
- reclassification of \$18.2 million from current bank loan to long term bank loan further to a refinancing exercise carried out on one of its loan facilities;
 - loan repayment of \$8.8 million; partially offset by
 - Additional loan of \$5.8 million;
 - translation loss of \$0.9 million as Sterling Pound had strengthened against Singapore Dollar.

Information on interim consolidated statement of financial position (cont'd)

2(b)(16) Tax payable decreased by \$0.5 million mainly due to overprovision of tax, partially offset by provision on tax on certain chargeable income during the year.

2(b)(17) Non-current bank loans increased by \$19.0 million mainly due to additional loan of \$0.8 million being drawn-down for the development of the property purchased in Jalan Besar and a reclassification of \$18.2 million from current to non-current classification.

2(b)(18) Deferred tax liabilities increased by \$0.3 million mainly due to increase in deferred tax on accrued interest income.

2(b)(19) Non-current other payables increased by \$0.9 million mainly due to loan due to non-controlling interests.

Information on condensed interim consolidated statement of cash flows

The Group's cash and bank balances remain healthy at \$42.2 million at 31 December 2021 as compared to \$44.7 million as at 31 December 2020. The net cash flows from operating activities were in a deficit balance mainly due to increase in current investment securities trading activities during the financial year.

Information on condensed interim statement of changes in equity

During the year, the Group disposed its investments in Singapore Reinsurance Corporation Limited of \$3.5 million arising from an acceptance of the voluntary conditional cash offer from an offeror. The Group also disposed its investments in DCG Asia Fund (Cayman) of \$0.3 million. The cumulative gain on disposal of \$1.1 million was reclassified from fair value reserve to revenue reserve.

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 new outbreak of the Omicron virus has affected many economies in the world, the UK was no exception. Occupancy levels for the UK commercial properties was lower. To enhance marketability of the vacant space, refurbishment has started and marketing of the space will commence shortly.

In the UK, the sale of 58 Queensgate property was completed in January 2022 and the proceeds from the sale have been received. We expect to record a gain of approximately \$14.4 million.

The Group's Singapore properties performed well and are fully let.

The Group will also be exploring a change to its accounting policy for investment properties from the cost model to the fair value model in order to unlock or increase shareholder value from this financial year. A decision will be made after an independent party is appointed to assess the revalued net asset values of the Group.

5. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes.

Name of Dividend	Final Ordinary Dividend
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent, (one-tier) tax exempt
Tax Rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

Name of Dividend	Final Ordinary Dividend
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent, (one-tier) tax exempt
Tax Rate	Not applicable

5. Dividend (*con'td*)

(c) Date payable

The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 19 May 2022.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 5 May 2022 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, Keppel Bay Tower, #14-03/07, Singapore 098632 up to 5.00 p.m. on 5 May 2022 will be registered before entitlements to the dividend are determined. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

(e) Interim dividend declared and paid for the current reporting period

Not applicable.

6. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Not applicable.

7. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Section 2 of this announcement.

8. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of each transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

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.

9. **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
28 January 2022