

UNAUDITED RESULTS FOR SECOND QUARTER ENDED 30 JUNE 2018
PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group						
	Second Quarter Ended			Six Months Ended			
	30.6.2018	30.6.2017	+/(-) %	30.6.2018	30.6.2017	+/(-) %	
Note	\$'000	\$'000		\$'000	\$'000		
Revenue		2,895	3,052	(5.1)	5,498	5,959	(7.7)
Cost of sales		(1,032)	(1,033)	(0.1)	(1,956)	(2,093)	(6.5)
Changes in fair value of investment securities	1	(1,464)	-		(1,872)	-	
Gross profit		399	2,019	(80.2)	1,670	3,866	(56.8)
Other income	2	6,774	1,518	n.m.	8,430	5,443	54.9
General and administrative costs	3	(2,819)	(1,621)	73.9	(4,582)	(2,967)	54.4
Other operating costs	4	-	(232)	n.m.	-	(712)	n.m.
Finance costs		(310)	(318)	(2.5)	(593)	(687)	(13.7)
Share of after tax results of associates and joint ventures	5	268	155	72.9	469	1	n.m.
Profit before taxation		4,312	1,521	n.m.	5,394	4,944	9.1
Taxation	6	(144)	(146)	(1.4)	(530)	(348)	52.3
Net profit after taxation		4,168	1,375	n.m.	4,864	4,596	5.8
Attributable to:							
Owners of the Company		4,168	1,375	n.m.	4,864	4,596	5.8
Profit for the year attributable to owners of the Company		4,168	1,375		4,864	4,596	

n.m. denotes not meaningful.

Notes to Group Profit and Loss Statement:

1. Changes in fair value of investment securities of \$1.9 million in 1H2018 and \$1.5 million in 2Q2018 were due to net decreases in fair values for fair value through profit and loss ("FVTPL") investment securities arising from unfavourable market conditions (refer to 4 and 5 on pages 13 and 14 for more information) on the investment securities that were being held by the Group.

2. Other income comprised the following:

	2Q2018	2Q2017	+/(-) %	FY2018	FY2017	+/(-) %
	\$'000	\$'000		\$'000	\$'000	
Interest income	14	-	n.m.	17	1	n.m.
Gain on disposal of investment properties	-	2,301	n.m.	1,572	3,956	(60.3)
Gain on disposal of non-current investments	-	220	n.m.	-	220	n.m.
Other investment income	-	117	n.m.	-	117	n.m.
Foreign exchange gain	169	(1,196)	n.m.	169	984	(82.8)
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages ("remeasurement gain")	5,479	-	n.m.	5,479	-	n.m.
Gain on disposal of a subsidiary and its related joint operation	1,037	-	n.m.	1,037	-	n.m.
Sundry	75	76	(1.3)	156	165	(5.5)
	<u>6,774</u>	<u>1,518</u>		<u>8,430</u>	<u>5,443</u>	

- Remeasurement gain arose from the acquisition of 30% remaining interests in Capital Eagle Limited (“CEL”) in Q2 2018. The Group recorded a provisional gain as a result of remeasuring its existing 70% interest in CEL held before the business combination to fair value upon completion of the acquisition pursuant to SFRS(I) 3. Per the announcement on 24 April 2018, this provisional gain is subject to a purchase price allocation exercise which is ongoing.
 - Gain on disposal of a subsidiary and its related joint operation refers to the disposal of the Group’s interests in Capital Herbal Limited in 2Q 2018.
 - Weakening of the Sterling Pound against Singapore Dollars resulted in unrealised translation gain of \$0.2 million in 1H2018 and \$0.4 million in 2Q2018 mainly attributable to our Sterling Pound loans. Sterling Pound had strengthened against Singapore Dollars from \$1.817029 as at 31 December 2017 to \$1.830601 as at 31 March 2018 and then weakened against Singapore Dollars from \$1.830601 as at 31 March 2018 to \$1.787166 as at 30 June 2018. In 1Q2018, translation loss of \$0.3 million was reflected under General and Administrative costs. In 2Q2018, part of the translation gain was reflected under General and Administrative costs and the remaining portion reflected under “Other income”.
3. General and administrative costs increased by \$1.6 m yoy and \$1.2 m qoq mainly due to:
- \$1.6 million yoy and qoq transaction costs arising from the acquisition of 30% interest in Capital Eagle Limited;
 - offset by \$0.3 million qoq on exchange gain recorded in general and administrative costs.
4. Other operating costs comprised the following:

	2Q2018	2Q2017	+ / (-)	FY2018	FY2017	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance made for impairment on:						
- quoted current investments	-	27	n.m.	-	42	n.m.
- unquoted non-current investments	-	205	n.m.	-	670	n.m.
	<u>-</u>	<u>232</u>		<u>-</u>	<u>712</u>	

Allowance for impairment loss on current and non-current investment securities relate to investment securities that had suffered a significant or prolonged decline in the market value below the acquisition cost of those investments. Arising from the adoption of new accounting standard SFRS(I) 9, the Group no longer needs to perform assessment for impairment (please refer to 4 and 5 on pages 13 and 14 for more information).

5. Share of after tax results of associates and joint ventures increased by \$0.5 million yoy mainly due to share of profit of \$0.4 million from an associated company, Clan Kilmuir (Jersey) Limited.
6. Effective tax rates for 1H2018 and 2Q2018 were 9.8% (1H2017: 7.0%) and 3.3% (2Q2017: 9.6%) respectively. The taxation charge for the Group for 1H2018 and 2Q2018 were lower than that arrived at by applying the statutory tax rate of 17% to the profit before taxation mainly due to certain gains being capital in nature, absence of tax effect on the share of results of associates and joint ventures, offset by certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for set off against profits of local subsidiaries. Utilisation of losses incurred by a local subsidiary under group tax relief would only be considered as at year-end.

Profit before taxation included the following:

	Note	Group					
		Second Quarter Ended			Six Months Ended		
		30.6.2018	30.6.2017	+ /(-)	30.6.2018	30.6.2017	+ /(-)
	\$'000	\$'000	%	\$'000	\$'000	%	
Investment income		455	555	(18.0)	670	613	9.3
Interest income (included in revenue)		146	275	(46.9)	299	606	(50.7)
Interest on borrowings		(392)	(318)	23.3	(593)	(687)	(13.7)
Depreciation on property, plant and equipment and investment properties		(586)	(520)	12.7	(1,124)	(1,068)	5.2
Allowance made for impairment loss on							
- quoted current investments	4	-	(27)	n.m.	-	(42)	n.m.
- unquoted non-current investments	4	-	(205)	n.m.	-	(670)	n.m.
Fair value changes in investment securities		(1,464)	-	n.m.	(1,872)	-	n.m.
(Under)/over provision of taxation in prior years		-	-	-	-	-	-
Foreign exchange gain/(loss)	2	435	(1,196)	n.m.	169	984	(82.8)
Gain on disposal of investments (included in revenue)		-	280	n.m.	-	863	n.m.
Other income:							
Gain on disposal of non-current investments	2	-	220	n.m.	-	220	n.m.
Gain on disposal of investment properties	2	-	2,301	n.m.	1,572	3,956	(60.3)
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages	2	5,479	-	n.m.	5,479	-	n.m.
Gain on disposal of a subsidiary and its related joint operation	2	1,037	-	n.m.	1,037	-	n.m.

Statement of Comprehensive Income

	Note	Group					
		Second Quarter Ended			Six Months Ended		
		30.6.2018	30.6.2017	+ /(-)	30.6.2018	30.6.2017	+ /(-)
	\$'000	\$'000	%	\$'000	\$'000	%	
Net profit after taxation		4,168	1,375	n.m.	4,864	4,596	5.8
<u>Other comprehensive gain/(loss):</u>							
<i>Items that will not be reclassified to profit or loss</i>							
Net loss on investment securities	1	(305)	-	n.m.	(1,628)	-	n.m.
<i>Items that may be reclassified subsequently to profit or loss</i>							
Net (loss)/gain on available-for-sale investments (net of tax)	1	-	(437)	n.m.	-	1,983	n.m.
Exchange difference arising from							
- consolidation	2	(896)	911	n.m.	(671)	(769)	(12.7)
- revaluation of net investment in foreign operations	2	(947)	1,290	n.m.	(647)	(1,224)	(47.1)
- reclassification of foreign currency translation on disposal of a joint operation	3	1,463	-	n.m.	1,463	-	n.m.
Revaluation gain realised by an associate to profit or loss		-	-	n.m.	(110)	-	n.m.
Other comprehensive (loss)/income, net of tax		(685)	1,764	n.m.	(1,593)	(10)	n.m.
Total comprehensive income for the period		3,483	3,139	11.0	3,271	4,586	(28.7)
Total comprehensive income for the period attributable to:							
Owners of the Company		3,483	3,139	11.0	3,271	4,586	(28.7)
Non-controlling Interests		-	-		-	-	
		3,483	3,139		3,271	4,586	

- 1) Arising from the adoption of SFRS(I) 9, available-for sale investments are either classified under fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVTOCI”). Net losses on FVTOCI investment securities of \$1.6 million yoy and \$0.3 million qoq were mainly due to decrease in fair values arising from unfavourable market conditions.
- 2) Exchange differences arising from consolidation of \$0.7 million (2Q2018: \$0.9 million) and revaluation of net investment in foreign operation of \$0.6 million (2Q2018: \$0.9 million) in 1H2018 were mainly due to foreign exchange impact arising from the translation of Sterling Pound against Singapore Dollars for those UK net investments and assets. The weakening of the Sterling Pound against Singapore Dollar resulted in overall net foreign exchange loss of approximately \$1.1 million for 1H2018 (2Q2018: \$1.4 million). This is made up of \$0.7 million and \$0.6 million in Other Comprehensive Income (2Q 2018: \$0.9 million and \$0.9 million respectively), which is partially offset by a translation gain in the profit and loss of \$0.2 million (2Q2018: \$0.4 million) mainly attributable to our Sterling Pound loans.
- 3) The currency translation reserve of Capital Herbal Limited was reclassified arising from the disposal of this entity in 2Q 2018.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group		Company	
		30.6.2018 \$'000	31.12.2017 \$'000	30.6.2018 \$'000	31.12.2017 \$'000
Non-current assets					
Property, plant and equipment		4,303	4,452	-	-
Investment properties	1	125,235	112,040	-	-
Investment in subsidiaries		-	-	170,464	170,464
Investment in joint ventures		3,118	3,106	-	-
Investment in associates	2	25,306	27,812	746	746
Investment securities	3	31,589	23,212	-	-
Other receivables	4	6,536	5,582	-	-
		196,087	176,204	171,210	171,210
Current assets					
Tax recoverable		2	2	-	-
Trade receivables	5	1,018	494	-	-
Prepayments and deposits		214	225	34	53
Other receivables	6	5,460	3,228	-	6
Amounts due from subsidiaries	7	-	-	2,194	6,694
Amounts due from associates		6,529	6,465	-	-
Investment securities	8	16,613	24,773	-	-
Cash and bank balances	9	32,167	50,683	674	3,959
		62,003	85,870	2,902	10,712
Current liabilities					
Bank overdrafts (secured)		(96)	-	-	-
Trade payables		(536)	(424)	-	-
Other payables	10	(3,228)	(2,192)	(359)	(369)
Accrued operating expenses	11	(1,763)	(2,224)	(162)	(248)
Amounts due to associates	12	(1,988)	(542)	(358)	(361)
Bank loans (secured)	13	(42,280)	(53,177)	-	-
Tax payable		(2,263)	(2,012)	-	-
		(52,154)	(60,571)	(879)	(978)
Net current assets		9,849	25,299	2,023	9,734
Non-current liabilities					
Deferred tax liabilities	14	(4,946)	(3,970)	-	-
Bank loans (secured)	13	(7,283)	-	-	-
Other payables		(478)	(392)	-	-
		(12,707)	(4,362)	-	-
Net assets		193,229	197,141	173,233	180,944

	Group		Company	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017
	\$'000	\$'000	\$'000	\$'000
Equity attributable to Owners of the Company				
Share capital	172,154	172,154	172,154	172,154
Treasury shares	(165)	(165)	(165)	(165)
Capital reserve	891	1,001	-	-
Revenue reserve	42,883	38,467	1,244	8,955
Fair value reserve	(805)	7,558	-	-
Currency translation reserve	(21,729)	(21,874)	-	-
	193,229	197,141	173,233	180,944
Non-controlling interests	-	-	-	-
Share capital and reserves	193,229	197,141	173,233	180,944

Notes to Statement of Financial Position:

1. Investment properties increased by \$13.2 million mainly due to:
 - a. purchase of a commercial property, 46 Loman Street in UK;
 - b. increase in 20 Midtown property arising from the acquisition of additional equity interests in CEL (refer to announcement on 24 April 2018 for more detailed information);
 - c. translation loss arising from the UK properties as Sterling Pound had weakened against Singapore Dollar;
 - d. disposal of a residential property in Singapore;
 - e. de-consolidation of an commercial investment property in UK arising from the disposal of a subsidiary and its related joint operation;
 - f. and depreciation of the investment property in this period.
2. Investment in associates decreased by \$2.5 million mainly due to distribution of dividends from an associate of \$2.8 million partially offset by share of results of \$0.5 million during the period.
3. Non-current investment securities increased by \$8.4 million mainly due to additional \$3.8 million investment made during the period and reclassification of \$6.3 million from current investment securities to non-current due to SFRS(I) 9 adoption, offset by a fair value loss of \$1.6 million in FVTOCI investments.
4. Non-current other receivables increased by \$1 million mainly due to increase in deferred rental income from 20 Midtown property in UK.
5. Trade receivables increased by \$0.5 million mainly due to higher receivables due from tenants.
6. Current other receivables increased by \$2.2 million mainly due to:
 - a. \$1.5 million relating to deposit paid for the acquisition of a property in Jalan Besar. Completion of purchase is expected in 3Q 2018.
 - b. \$0.4 million paid to Commission of Stamp Duties on the stamp duty relating to the purchase of this Jalan Besar property.
7. Amount due from subsidiaries reduced by \$4.5 million mainly due to receipts from subsidiaries and these were utilised for dividend payments.
8. Current investment securities decreased by \$8.2 million mainly due to \$6.3 million reclassification to non-current investment securities arising from SFRS(I) 9 adoption and \$1.9 million of fair value losses during the period.

9. Decrease in Group's cash at bank balances of \$18.5 million was mainly due to purchases made on non-current investments, investment property in 46 Loman Street, payment of dividends, offset by proceeds from disposal of a residential property in Singapore. Decrease in Company's cash at bank balances of \$3.3 million was mainly due to payment of dividends to shareholders.
10. Other payables increased by \$1 million mainly due to an advance rental of \$0.3 million received from tenants and \$0.7 million transaction costs payable mainly in relation to the acquisition of the remaining 30% interest in CEL.
11. Accrued operating expenses decreased by \$0.5 million mainly due to payment of employee bonuses during the period.
12. Amounts due to associates increased by \$1.4 million mainly due to holding of funds in trust for an associate.
13. Current bank loans decreased by \$10.9 million mainly due to:
 - a. de-consolidation of bank loan of \$14.5 million arising from disposal of Capital Hatton Limited;
 - b. loan repayment of \$1.8 million;
 - c. translation gain of \$0.9 million as Sterling Pound had weakened against Singapore Dollar, partially offset by;
 - d. increase in bank loan of \$6.2 million,

Long-term bank loans increased by \$7.3 million, together with the increase in current bank loan of \$6.2 million were mainly drawn down for investment of a new property in 46 Loman Street.
14. Deferred tax liabilities increased by \$1 million mainly due to \$1.3 million arising from provision of deferred tax on the re-measurement gain partially offset by a reclassification of \$0.5 million from deferred tax liabilities to tax payable arising from the income tax treatment upon adoption of SFRS(I) 9.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	30.6.2018		31.12.2017	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bank overdrafts	96	-	-	-
Short term bank loans	42,280	-	53,177	-
	<u>42,376</u>	<u>-</u>	<u>53,177</u>	<u>-</u>

Amount repayable after one year

	30.6.2018		31.12.2017	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Long term bank loans	<u>7,283</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has sufficient resources to repay the bank overdrafts, short-term and long-term bank loans.

Details of any collateral

Short term bank loans comprised:

- An amount of \$23.9 million (2017: \$18.2 million) secured by a pledge of \$15 million (2017: \$15 million) on a subsidiary's fixed deposits and a corporate guarantee from the Company.
- An amount of \$14.8 million (2017: \$15.1 million) secured by a legal charge over a subsidiary's investment property and assignment of tenancy agreement in respect of the property.
- An amount of \$3.6 million (2017: \$3.6 million) secured by a pledge of \$4 million (2017: \$4 million) on a subsidiary's fixed deposits.
- An amount of \$ Nil (2017: \$1.8 million) secured by a deed of guarantee and indemnity of \$4 million (2017: \$4 million) from a subsidiary.
- An amount of \$ Nil (2017: \$14.5 million) secured by a legal charge over a subsidiary's investment property.

Long term bank loan of \$7.3 million is secured by a legal charge over a subsidiary's investment property and a corporate guarantee from another subsidiary.

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

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			
	Second Quarter Ended 30.6.2018 \$'000	30.6.2017 \$'000	Six Months Ended 30.6.2018 \$'000	30.6.2017 \$'000
Cash flows from operating activities:				
Profit before taxation	4,312	1,521	5,394	4,944
Adjustments for:				
Interest income	(160)	(275)	(316)	(607)
Interest expense	310	318	593	687
Fair value changes in investment securities	1,464	-	1,872	-
Dividend income from investment securities	(455)	(555)	(670)	(613)
Depreciation of property, plant and equipment and investment properties	586	520	1,124	1,068
Share of results of associates and joint ventures	(268)	(155)	(469)	(1)
Allowance made for impairment loss on - current investment securities	-	27	-	42
- non-current investment securities	-	205	-	670
Gain on disposal of a subsidiary and its related joint operation	(1,037)	-	(1,037)	-
Gain on disposal of investment properties	-	(2,301)	(1,572)	(3,956)
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages	(5,479)	-	(5,479)	-
Gain on disposal of non-current investment securities	-	(220)	-	(220)
Unrealised exchange differences	(780)	1,359	(451)	(1,281)
	(5,819)	(1,077)	(6,405)	(4,211)
Operating cash flows before changes in working capital	(1,507)	444	(1,011)	733
(Increase)/decrease in receivables and current investments	(2,548)	(370)	(3,277)	302
Increase in payables	982	1,148	766	978
	(1,566)	778	(2,511)	1,280
Cash flows (used in)/from operations	(3,073)	1,222	(3,522)	2,013
Interest received	136	351	222	437
Interest paid	(310)	(318)	(593)	(687)
Dividend income from investment securities	455	555	670	613
Income taxes (paid)/refund	(391)	23	(649)	(79)
	(110)	611	(350)	284
Net cash flows (used in)/from operating activities	(3,183)	1,833	(3,872)	2,297
Cash flows from investing activities:				
Increase in other investments	(716)	(251)	(3,795)	(2,650)
Decrease in other receivables	-	4,872	-	5,328
Increase/(decrease) in net amounts due to associates	1,452	(10)	1,446	93
Decrease in investment in joint ventures	-	150	-	287
Dividend income from associates	2,750	-	2,750	-
Net cash inflows on disposal of subsidiary and its related joint operation	11,754	-	11,754	-
Net cash outflows on acquisition of a subsidiary	(19,006)	-	(19,006)	-
Proceeds from disposal of other investments	19	470	19	470
Proceeds from disposal of property, plant and equipment	-	137	-	137
Proceeds from disposal of investment properties	-	6,180	2,468	8,342
Additions to investment properties	(33)	(213)	(14,936)	(740)
Purchase of property, plant and equipment	-	(205)	-	(207)
	(3,780)	11,130	(19,300)	11,060
Net cash flows (used in)/from investing activities	(3,780)	11,130	(19,300)	11,060
Net cash flows (used in)/from operating and investing activities carried forward	(6,963)	12,963	(23,172)	13,357

	Group			
	Second Quarter Ended		Six Months Ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	\$'000	\$'000	\$'000	\$'000
Net cash flows (used in)/from operating and investing activities brought forward	(6,963)	12,963	(23,172)	13,357
Cash flows from financing activities:				
Proceeds from bank loans	-	-	13,606	-
Repayment of bank loans	(1,800)	(1,109)	(1,800)	(1,454)
Purchase of treasury shares	-	(67)	-	(67)
Dividends paid	(7,183)	(6,532)	(7,183)	(6,532)
Net cash flows (used in)/from financing activities	(8,983)	(7,708)	4,623	(8,053)
Net (decrease)/increase in cash and cash equivalents	(15,946)	5,255	(18,549)	5,304
Cash and cash equivalents at beginning of the period	29,109	17,764	31,683	17,866
Effects of exchange rate changes on cash and cash equivalents	(92)	93	(63)	(58)
Cash and cash equivalents at end of the period	13,071	23,112	13,071	23,112

For the purpose of presenting consolidating cash flow statements, the consolidated cash and cash equivalents comprise the following:-

	Group		Group	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	32,167	42,115	32,167	42,115
Less: cash and bank balances pledged	(19,000)	(19,000)	(19,000)	(19,000)
Less bank overdraft secured	(96)	(3)	(96)	(3)
Cash and cash equivalents at end of the period	13,071	23,112	13,071	23,112

(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

----- Attributable to Owners of the Company -----								
	Share capital \$'000	Treasury shares \$'000	Capital reserve ** \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
Balance at 1.1.2018, as previously stated	172,154	(165)	1,001	38,467	7,558	(21,874)	-	197,141
Impact on adoption of SFRS(I) 9	-	-	-	6,735	(6,735)	-	-	-
Balance at 1.1.2018, as restated	172,154	(165)	1,001	45,202	823	(21,874)	-	197,141
Total comprehensive (loss)/gain for the period	-	-	(110)	696	(1,323)	525	-	(212)
Balance at 31.3.2018	172,154	(165)	891	45,898	(500)	(21,349)	-	196,929
Total comprehensive gain/(loss) for the period	-	-	-	4,168	(305)	(380)	-	3,483
Dividends paid	-	-	-	(7,183)	-	-	-	(7,183)
Balance at 30.6.2018	172,154	(165)	891	42,883	(805)	(21,729)	-	193,229
	Share capital \$'000	Treasury shares \$'000	Capital reserve ** \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
Balance at 1.1.2017	172,154	(98)	1,202	37,592	6,326	(22,757)	-	194,419
Total comprehensive gain/(loss) for the period	-	-	-	3,221	2,420	(4,194)	-	1,447
Balance at 31.3.2017	172,154	(98)	1,202	40,813	8,746	(26,951)	-	195,866
Purchase of treasury shares	-	(67)	-	-	-	-	-	(67)
Total comprehensive gain/(loss) for the period	-	-	-	1,375	(437)	2,201	-	3,139
Dividends paid	-	-	-	(6,532)	-	-	-	(6,532)
Balance at 30.6.2017	172,154	(165)	1,202	35,656	8,309	(24,750)	-	192,406

** Capital reserve relates to unrealised revaluation gain on certain properties purchased from an associate.

Company	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Total equity \$'000
Balance at 1.1.2018	172,154	(165)	8,955	180,944
Total comprehensive loss for the period	-	-	(241)	(241)
Balance at 31.3.2018	172,154	(165)	8,714	180,703
Total comprehensive loss for the period	-	-	(287)	(287)
Dividends paid	-	-	(7,183)	(7,183)
Balance at 30.6.2018	172,154	(165)	1,244	173,233
Balance at 1.1.2017	172,154	(98)	7,555	179,611
Total comprehensive loss for the period	-	-	(206)	(206)
Balance at 31.3.2017	172,154	(98)	7,349	179,405
Total comprehensive loss for the period	-	(67)	(301)	(368)
Dividends paid	-	-	(6,532)	(6,532)
Balance at 30.6.2017	172,154	(165)	516	172,505

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(a) No option has been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme since its adoption on 29 May 2001. At the 58th Annual General Meeting held on 27 April 2011, the shareholders of the Company approved the extension of the scheme for another ten years from 29 May 2011 to 28 May 2021.

(b)

	30/6/2018	30/6/2017
	\$'000	\$'000
Share capital	172,154	172,154
	30/6/2018	30/6/2017
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(546)	(546)
Total number of subsidiary holdings	-	-
Total number of issued shares excluding treasury shares and subsidiary holdings	652,958	652,958

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30/6/2018	31/12/2017
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(546)	(546)
Total number of issued shares excluding treasury shares	<u>652,958</u>	<u>652,958</u>

As at 30 June 2018 and 31 December 2017, there were no outstanding convertibles.

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

There was no share buy-back during the current quarter.

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

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Accounting Standards Council has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”), which is to be adopted by Singapore incorporated companies listed on the Singapore Exchange, for annual period beginning on or after January 1, 2018. As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (December 31, December), except for areas of exceptions and optional exemptions set out in SFRS(I) 1.

The Group has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there are no changes to the Group's and the Company's current accounting policies under the Financial Reporting Standards in Singapore or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2017 except for the adoption of SFRS(I) 9 Financial Instruments.

The effect of the adoption was discussed in item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company have adopted the following new SFRS(I)s, amendments to and interpretations of SFRS(I) that are effective for the financial periods beginning on 1 January 2018:-

Description	Effective for annual periods beginning on or after
SFRS(I) 15 Revenue from Contracts with Customers	1 January 2018
SFRS(I) 9 Financial Instruments	1 January 2018
Amendments to SFRS(I)15: Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 January 2018
Amendments to SFRS(I) 2: Classification and Measurement of Share based Payment Transaction	1 January 2018
Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures	1 January 2018
SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the revised SFRS(I)s did not have any material financial impact on the financial statements of the Group and the Company for the quarter ended 30 June 2018 except for SFRS(I) 9 (previously FRS 109).

The changes in accounting policies have been applied retrospectively and the Group has elected to apply the limited exemption in SFRS(I) 9 and has not restated comparative periods in the year of initial application. Any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application are recognised in the opening retained earnings.

For equity securities, the Group measures its currently available-for-sale quoted equity securities of \$18.4 million held as at 1 January 2018 at fair value through profit or loss (FVTPL). The fair value reserve of \$1.8m previously recognised in other comprehensive income was adjusted against retained earnings on initial application. The Group measures the remaining available-for-sale equity securities amounting to \$6.3 million as at 1 Jan 2018 at fair value through other comprehensive income (FVTOCI). The impairment loss of \$5 million previously recognised in profit or loss was adjusted against revenue reserve on initial application.

The impacts arising from SFRS(I) 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

The effects to opening retained earnings and opening fair value reserves on the financial statements are shown under 1(d)(i).

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	GROUP			
	Second Quarter Ended		Six Months Ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Earnings per ordinary share after deducting any provision for preference dividends:				
(i) Based on the weighted average number of ordinary shares in issue (cents)	0.64	0.21	0.74	0.70
(ii) On a fully diluted basis (cents)	0.64	0.21	0.74	0.70

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) current financial period reported on; and

(b) immediately preceding financial year.

	GROUP		COMPANY	
	As at	As at	As at	As at
	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Net asset value per ordinary share (cents)	29.59	30.19	26.53	27.71

Note: dividend of 1.1 cent per share was paid in 2Q 2018.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue (excluding all inter-segment transactions)

	2Q2018 \$'000	2Q2017 \$'000	+/(-) %	FY2018 \$'000	FY2017 \$'000	+/(-) %
Rental	2,294	1,942	18.1	4,529	3,877	16.8
Investments	601	1,110	(45.9)	969	2,082	(53.5)
Corporate and Others	-	-	-	-	-	-
	<u>2,895</u>	<u>3,052</u>		<u>5,498</u>	<u>5,959</u>	

Increase in revenue for rental segment by \$0.7 million yoy and \$0.4 million qoq was mainly due to:

- increase in rental income from 20 Midtown (formerly known as Eagle House) by \$0.9 million yoy and \$0.5 million qoq arising from the increase in shareholding from a joint operation to 100% wholly-owned subsidiary;
- increase in rental income from Loman by \$0.1 million subsequent to the acquisition of property in March 2018; partially offset by
- decrease in rental income from Herbal Hill by \$0.2 million yoy and qoq subsequent to the disposal of joint operation in 2Q 2018.

Decrease in revenue for investments segment by \$1.1 million yoy and \$0.5 million qoq takes into account:-

- absence of net gain on disposal of investment securities of \$0.9 million yoy and \$ 0.3 million qoq subsequent to SFRS(I) 9 adoption;
- decrease in interest income by \$0.3 million yoy and \$0.1 million qoq.
- increase in dividend income by \$0.1 million yoy and decrease in dividend income of \$0.1 million qoq.

Profit before taxation (excluding all inter-segment transactions)

	2Q2018 \$'000	2Q2017 \$'000	+/(-) %	FY2018 \$'000	FY2017 \$'000	+/(-) %
Rental	4,632	2,691	72.1	6,980	4,747	47.0
Investments	108	908	(88.1)	(100)	933	n.m.
Corporate and Others	(561)	(573)	(2.1)	(1,101)	(1,048)	5.1
	<u>4,179</u>	<u>3,026</u>		<u>5,779</u>	<u>4,632</u>	
Unallocated items	133	(1,505)	n.m.	(385)	312	n.m.
	<u>4,312</u>	<u>1,521</u>		<u>5,394</u>	<u>4,944</u>	

Rental segment refers to rental of residential, commercial properties and warehouse. Increase in profit before taxation for Rental segment by \$2.2 million yoy and \$1.9 million qoq takes into account:-

- re-measurement gain of \$5.5 million yoy and qoq; increase in rental revenue by \$0.7 million yoy and \$0.4 million qoq (refer to explanation on page 17);
- decrease in gain from disposal of investment properties by \$2.4 million yoy and \$2.3 million qoq;
- decrease in recognition of other investment income of \$0.1 million yoy and qoq. The other investment income came from the development of Sheffield post office site;
- transaction costs of \$1.6 million incurred yoy and qoq mainly arising from the acquisition of 30% interest in Capital Eagle Limited.

Investment segment refers to investment holding. Profit before taxation for Investment segment decreased from a profit to a loss of \$0.9 million to a loss of \$1.0 million yoy and decreased by \$0.8 million qoq mainly due to:-

- loss in fair value changes in FVTPL of \$1.9 million yoy and \$1.5 million qoq;
- absence of net gain on disposal of current and non-current investment securities and of \$1.1 million yoy and \$0.5 million qoq;
- decrease in interest income of \$0.3 million yoy and \$0.1 million qoq; partially offset by
- absence of allowance for impairment loss on investment securities of \$0.7 million yoy and \$0.2 million qoq as the Group no longer needs to assess for impairment arising from SFRS(I) 9;
- increase in dividend income by \$0.1 million yoy and decrease in dividend income by \$0.1 million qoq;
- increase in share of associates and joint venture by \$0.5 million yoy and \$0.1 million qoq;
- gain on disposal of a subsidiary and its related joint operation of \$1.0 million yoy and qoq.

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 profits decreased from a profit of \$0.3 million to a loss of \$0.4 million yoy and from a profit of \$1.6 million to a loss of \$0.1 million qoq mainly due to unfavourable foreign exchange impact arising from the translation of Sterling Pound against Singapore Dollar.

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

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Recent property cooling measures in Singapore have dampened sentiments in the residential market. All the RiverGate apartments and commercial areas are presently leased. The commercial property market is holding well and the Group was successful in securing a development site in Jalan Besar on which a commercial property of approximately 10,000 sq ft is planned.

Despite Brexit uncertainties, the Group's residential and commercial properties are fully let.

Global economic and political uncertainties are expected to dampen sentiments in the equities markets.

11. 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.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

13. 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.

14. 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.

15. 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
1 August 2018