HEETON HOLDINGS LIMITED
Incorporated in the Republic of Singapore
(Company Registration Number: 197601387M)

Heeton Holdings Limited and its Subsidiaries

Condensed Interim Financial Statements
For the six months ended 30 June 2023

Table of Contents

Heeton Holdings Limited and its Subsidiaries

Condensed interim consolidated statement of comprehensive income
For the six months ended 30 June 2023

	Note	Group 6 months ended 30 June 2023 "HY2023" S$'000	Group 6 months ended 30 June 2022 "HY2022" S$'000	Increase / (Decrease) %
Revenue	4	30,699	28,482	7.8
Other operating income		1,190	1,332	(10.7)
Personnel expenses		(10,383)	(8,982)	15.6
Depreciation of property, plant and equipment	6	(2,386)	(2,440)	(2.2)
Other operating expenses		(14,017)	(11,441)	22.5
Profit from operations		5,103	6,951	(26.6)
Finance expenses	6	(12,475)	(8,173)	52.6
Finance incomes	6	2,046	1,818	12.5
Fair value gains on derivative financial instruments		37	483	(92.3)
Impairment on investment in associated company		(1,660)	-	n,m.
Reversal of impairment on financial assets		756	-	n,m.
Share of results of associated companies/joint venture companies		(1,022)	3,328	n,m.
Gain/(Loss) from fair value adjustments of investment properties		2,000	(2,000)	n.m.
Gain on disposal of assets held for sale		-	631	(100.0)
(Loss)/Profit before tax		(5,215)	3,038	n.m.
Income tax expense	7	(426)	(1,564)	(72.8)
(Loss)/Profit for the period, net of tax		(5,641)	1,474	n.m.
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation		4,050	(13,727)	n.m.
Other comprehensive income/(loss) for the period, net of tax		4,050	(13,727)	n.m.
Total comprehensive loss for the period		(1,591)	(12,253)	(87.0)
(Loss)/Profit for the period attributable to:				
Owners of the Company		(4,380)	684	n.m.
Non-controlling interests		(1,261)	790	n.m.
		(5,641)	1,474	n.m.
Total comprehensive income/(loss) attributable to:				
Owners of the Company		2,338	(16,408)	n.m.
Non-controlling interests		(3,929)	4,155	n.m.
		(1,591)	(12,253)	(87.0)

n.m. : not meaningful

The accompanying notes form an integral part of these condensed interim financial statements.

Heeton Holdings Limited and its Subsidiaries

Condensed Interim Balance Sheets
As at 30 June 2023

	Note	Group 30/6/2023 $'000	Group 31/12/2022 $'000	Company 30/6/2023 $'000	Company 31/12/2022 $'000
Non-current assets					
Property, plant and equipment	9	405,568	372,975	62	89
Investment properties	10	220,904	217,324	-	-
Subsidiaries		-	-	41,237	24,037
Associated companies		19,488	21,193	-	-
Joint venture companies		93,965	96,766	5,000	5,000
Investment security		1,431	1,431	-	-
Amounts due from associated companies and joint venture companies (non trade)		56,806	72,397	-	-
Derivative financial instruments	8	294	331	294	331
Intangible assets		109	109	-	-
Other receivables		64,230	60,959	18,000	18,000
		862,795	843,485	64,593	47,457
Current assets					
Development properties		18,857	17,389	-	-
Trade receivables		341	683	-	-
Other receivables		5,345	3,232	4,274	547
Prepayments		3,423	1,655	1,150	381
Amounts due from subsidiaries (non-trade)		-	-	281,021	313,237
Amounts due from related parties (trade)		33	45	1	-
Amounts due from associated companies and joint venture companies (non-trade)		16,124	32,742	1,191	2,186
Fixed deposits		45,352	20,160	45,178	19,852
Cash and bank balances		44,965	39,631	13,571	9,736
		134,440	115,537	346,386	345,939
Current liabilities					
Trade payables		3,307	2,744	1,608	1,452
Other payables and accruals		19,044	14,746	1,715	1,338
Amounts due to subsidiaries (non-trade)		-	-	181,869	181,178
Lease liabilities		303	297	-	-
Bonds	12	20,169	62,730	20,169	62,730
Bank term loans	11	124,621	21,334	1,176	1,176
Income tax payable		3,211	3,525	114	213
		170,655	105,376	206,651	248,087
Net current (liabilities)/assets		(36,215)	10,161	139,735	97,852
Non-current liabilities					
Other payables and accruals		1,498	1,012	-	-
Lease liabilities		4,743	4,640	-	-
Amounts due to associated companies and joint venture companies (non-trade)		47,514	47,243	39,882	39,610
Amounts due to non-controlling interests (non-trade)		67,230	61,127	-	-
Bonds	12	53,800	-	53,800	-
Bank term loans	11	230,308	314,687	1,399	2,019
Deferred tax liabilities		689	656	148	143
		405,782	429,365	95,229	41,772
Net assets		**420,798**	**424,281**	**109,099**	**103,537**
Share capital and reserves					
Share capital	13	86,624	86,624	86,624	86,624
Treasury Shares	13	(63)	-	(63)	-
Foreign currency translation reserve		(12,509)	(19,227)	-	-
Retained earnings		352,726	358,935	22,538	16,913
		426,778	426,332	109,099	103,537
Non-controlling interests		(5,980)	(2,051)	-	-
Total equity		**420,798**	**424,281**	**109,099**	**103,537**

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed interim consolidated statement of changes in equity
For the six months ended 30 June 2023

Group	Share Capital S$'000 (Note 13)	Treasury Share S$'000 (Note 14)	Foreign Currency Translation Reserve S$'000	Retained Earnings S$'000	Total S$'000	Non-controlling Interests S$'000	Total Equity S$'000
	Attributable to equity holders of the Company						
Balance at 1 January 2022	86,624	-	5,472	358,624	450,720	(9,233)	441,487
Profit for the period	-	-	-	684	684	790	1,474
Other comprehensive income/(loss)							
- Foreign currency translation	-	-	(13,995)	-	(13,995)	268	(13,727)
Total comprehensive income/(loss) for the period	-	-	(13,995)	684	(13,311)	1,058	(12,253)
Dividend on ordinary shares	-	-	-	(1,829)	(1,829)	-	(1,829)
Balance at 30 June 2022	86,624	-	(8,523)	357,479	435,580	(8,175)	427,405
Balance at 1 January 2023	86,624	-	(19,227)	358,935	426,332	(2,051)	424,281
Loss for the period	-	-	-	(4,380)	(4,380)	(1,261)	(5,641)
Other comprehensive income/(loss)							
- Foreign currency translation	-	-	6,718	-	6,718	(2,668)	4,050
Total comprehensive income/(loss) for the period	-	-	6,718	(4,380)	2,338	(3,929)	(1,591)
Treasury shares	-	(63)	-	-	(63)	-	(63)
Dividend on ordinary shares	-	-	-	(1,829)	(1,829)	-	(1,829)
Balance at 30 June 2023	86,624	(63)	(12,509)	352,726	426,778	(5,980)	420,798

Company	Share Capital S$'000 (Note 13)	Treasury shares S$'000 (Note 14)	Retained Earnings S$'000	Total Equity S$'000
Balance at 1 January 2022	86,624	-	31,398	118,022
Total comprehensive income for the period	-	-	1,920	1,920
Dividend on ordinary shares	-	-	(1,829)	(1,829)
Balance at 30 June 2022	86,624	-	31,489	118,113
Balance at 1 January 2023	86,624	-	16,913	103,537
Total comprehensive income for the period	-	-	7,454	7,454
Treasury shares	-	(63)	-	(63)
Dividend on ordinary shares	-	-	(1,829)	(1,829)
Balance at 30 June 2023	86,624	(63)	22,538	109,099

The accompanying notes form an integral part of these condensed interim financial statements.

Heeton Holdings Limited and its Subsidiaries

Condensed interim consolidated statement of cash flows
For the six months ended 30 June 2023

	Group	
	HY2023 $'000	HY2022 $'000
Cash flows from operating activities		
(Loss)/Profit before tax	(5,215)	3,038
Adjustments:		
Depreciation of property, plant and equipment	2,386	2,440
Impairment on investment in associated company	1,660	-
Reversal of impairment on financial assets	(756)	-
Fair value gain of derivative financial instruments	(37)	(483)
Share of results of associated companies/joint venture companies	1,022	(3,328)
Loss on disposal of assets held for sale	-	(631)
(Gain)/Loss from fair value adjustments of investment properties	(2,000)	2,000
Finance expenses	12,475	8,173
Finance incomes	(2,046)	(1,818)
Unrealised exchange differences	(1,279)	(1,419)
Operating cash flows before changes in working capital	6,210	7,972
(Increase)/Decrease in development properties	(369)	832
Decrease/(Increase) in trade receivables	410	(270)
(Increase)/Decrease in other receivables	(906)	500
Increase in prepayments	(1,650)	(1,291)
Decrease/(Increase) in amounts due from related parties	13	(118)
Increase/(decrease) in trade payables	481	(2,133)
(Decrease)/Increase in other payables and accruals	(408)	4,370
Cash flows generated from operations	3,781	9,862
Interest received	2,046	1,818
Interest paid, excluding amounts capitalised	(12,475)	(8,173)
Income taxes paid	(1,486)	(47)
Net cash flows (used in)/generated from operating activities	(8,134)	3,460
Cash flows from investing activities		
Additions to property, plant and equipment	(19,686)	(4,400)
Proceeds from disposal of assets held for sale	-	17,812
Dividend income from associated companies and joint ventures companies	-	3,000
Net repayment from associated companies and joint venture companies	34,555	9,040
Net cash flows generated from investing activities	14,869	25,452
Cash flows from financing activities		
Repayment of finance lease obligations	(13)	(4)
Proceeds from bank loans	14,443	10,049
Repayment of bank loans	(4,055)	(14,519)
Net proceeds from bond issue	11,239	-
Purchase of treasury shares	(63)	-
Increase/(decrease) in loan from non-controlling interests	2,970	(5,733)
Dividends paid on ordinary shares of the Company	(1,829)	(1,829)
Net cash flows generated from/(used in) financing activities	22,692	(12,036)
Net increase in cash and cash equivalents	29,427	16,876
Effect of exchange rate changes on cash and cash equivalents	1,099	(2,885)
Cash and cash equivalents at beginning of period	59,791	43,846
Cash and cash equivalents at end of period	90,317	57,837
Note: Cash and cash equivalents		
Fixed deposits	45,352	8,731
Cash and bank balances	44,965	50,571
Restricted cash-fixed deposits pledge for bank facility	-	(1,465)
Cash and cash equivalents	90,317	57,837

The accompanying notes form an integral part of these condensed interim financial statements.

1. Corporate information

Heeton Holdings Limited (the "Company") is a limited liability company domiciled and incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The registered office and principal place of business is located at 60 Paya Lebar Road, #08-36, Paya Lebar Square, Singapore 409051.

These condensed interim consolidated financial statements as at and for the half year ended 30 June 2023 comprised the Company and its subsidiaries (collectively, the Group). The Company's and the Group's principal activities are in property development, hotel operations and investment holding.

2. Basis of preparation

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

The condensed interim financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The condensed interim financial statements are presented in Singapore dollars (Dollars ("SGD" or "$") and all values in the tables are recorded to the nearest thousand ("$'000") except when otherwise indicated.

Going concern consideration

As at 30 June 2023, the Group's current liabilities exceeded its current assets by $36,215,000. The financial statements of the Group have been prepared on a going concern basis as the directors are of the view that the Group will be able to generate adequate cash flows in the foreseeable future from its operating, financing and investing activities to enable it to meet its financial obligations as and when they fall due.

2.1 New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2022 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised SFRS(I) (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2023. The adoption of these revised SFRS(I) and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

2.2 Use of judgements and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

2. Basis of preparation (cont'd)

2.2 Use of judgements and estimates (cont'd)

a) Impact of COVID-19 on the Group

Despite the recovery in the hospitality segment due to the easing of COVID-19 measures in countries in which the Group operates, the Group continues to face challenges from global economic uncertainties and inflationary pressures that were aggravated by soaring commodity prices due to the Ukraine war.

The impact of COVID-19 and the Ukraine war increases the level of judgement required across a number of key areas for the Group, in particular the recognition and measurement of the assets of the Group. The COVID-19 assumptions and considerations for the critical accounting estimates and key judgement areas of the Group are outlined in further detail in the following sections of this financial report:

– Property, plant and equipment (Note 9)
– Determination of fair value of investment properties (Note 10)

2.3 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Valuation of investment properties*

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists, where necessary, to determine fair value as at 30 June 2023 for investment properties that are likely to differ materially from the fair values recognised at the end of the previous financial year. The two valuation techniques adopted were the Market Comparable Approach Method and Income Approach Method. The former involves analysing recent sales evidence of similar properties. Adjustments are made to differences in location, age, tenure, floor area, condition, exposure, date of sale, amongst other factors, before arriving at the market value of the property. The latter involves the conversion of the net income of the property into a capital sum at a suitable rate of return which reflects the quality of the investment. The net income is the balance sum after deducting property tax, cost of repairs and maintenance and a reasonable percentage for vacancy from the gross rent. The value of the property is arrived at by capitalising the net rent at a suitable rate of return.

The independent valuers have considered the global economic uncertainty as a result of heightened macro-economic, geopolitical and supply chain risks as well as any continued or escalating COVID-19 related risks (in some location) and have made necessary adjustments to the valuation. The valuation reports also highlighted that given the ongoing geo-political headwinds, economic uncertainty and rising interest costs, these may have impact on the economy and property market. Due to the unknown future impact that might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

2. Basis of preparation (cont'd)

2.3 **Key sources of estimation uncertainty (cont'd)**

(b) Impairment assessment of property, plant and equipment

An impairment exists when the carrying value of property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

Management assesses whether there are trigger events indicating potential impairment at each reporting date. Where applicable, the Group considers independent valuation reports of valuation specialists to support the recoverable amounts of certain property, plant and equipment. The fair values are determined by external specialists using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions.

Certain valuation reports obtained from the external specialist also highlighted the global economic uncertainty as a result of heightened macro-economic, geopolitical and supply chain risks as well as any continued or escalating COVID-19 related risks (in some location) and have made necessary adjustments. The valuation reports also highlighted that given the ongoing geo-political headwinds, economic uncertainty and rising energy and interest costs, these may have impact on the economy and property market. Due to the challenging economic outlook and financial market instability and future impact that these might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

(c) *Impairment assessment of interest in associates and joint ventures*

The Group has significant interests in associates and joint ventures. The Group's interests in associates and joint ventures comprise the investments and amounts due from associates and joint ventures. The associates and joint ventures of the Group are mainly involved in the business of property development. The Group assesses at the end of each reporting period whether there is any objective evidence that the interest is impaired.

The Group applies the general approach to provide for ECLs on amounts due from associates and joint ventures carried at amortised cost. At each reporting date, the Group assesses whether the credit risk of a financial asset has increased significantly since initial recognition. When initial credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

The assessment of whether credit risk of a financial asset has increased significantly since initial recognition is a significant estimate. Credit risk assessment is based on both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

3. Seasonal operations

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

4. Segment and revenue information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

I. The property investment segment is engaged in the leasing of residential, retail and commercial properties.

II. The property development segment is involved in the development and sale of private residential properties.

III. The corporate segment is involved in Group-level corporate services and treasury functions.

IV. The hospitality segment is involved in hotel operations and related services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Group	
	HY2023	**HY2021**
	$'000	$'000
Revenue from contracts with customers	24,662	23,030
Rental income from investment properties	5,447	5,145
Other rental income	590	307
	30,699	28,482

4. Segment and revenue information (cont'd)

(a) Reportable segments

Six months ended 30 June 2023	Property Investment $'000	Property Development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Consolidated $'000
Revenue:						
Sales to external customers	5,429	-	345	24,925	-	30,699
Inter-segment revenue	397	-	2,866	4,338	(7,601)	-
Total revenue	5,826	-	3,211	29,263	(7,601)	30,699
Results:						
Finance income	-	-	16,224	-	(14,178)	2,046
Finance expense	(3,087)	-	(14,866)	(8,600)	14,078	(12,475)
Gain from fair value adjustment of investment properties	2,000	-	-	-	-	2,000
Depreciation of property, plant and equipment	(10)	-	(119)	(2,257)	-	(2,386)
Impairment on investment in associated company	-	-	-	(1,660)	-	(1,660)
Reversal of impairment on financial assets	-	-	-	756	-	756
Share of results of associated companies/joint venture companies	124	(482)	17	(681)	-	(1,022)
Segment profit/(loss) before tax	2,668	(1,005)	(4,496)	(2,482)	100	(5,215)
Assets:						
Investment in associated companies and joint venture companies	92,840	3,260	-	17,353	-	113,453
Additions to non-current assets	-	-	107	19,579	-	19,686
Segment assets	242,771	59,678	1,100,522	569,514	(975,250)	997,235
Segment liabilities	167,564	26,325	1,012,845	305,765	(936,062)	576,437

4. Segment and revenue information (cont'd)

(a) Reportable segments (cont'd)

Six months ended 30 June 2022	Property Investment $'000	Property Development $'000	Corporate $'000	Hospitality $'000	Elimination $'000	Consolidated $'000
Revenue:						
Sales to external customers	5,151	-	365	22,966	-	28,482
Inter-segment revenue	422	-	2,810	4,320	(7,552)	-
Total revenue	5,573	-	3,175	27,286	(7,552)	28,482
Results:						
Interest income	-	-	17,269	-	(15,451)	1,818
Interest expense	(1,419)	-	(16,162)	(5,907)	15,315	(8,173)
Fair value gain on derivative financial instru	-	-	483	-	-	483
Gain on disposal of assets held for sale	-	631	-	-	-	631
Loss from fair value adjustment of investment properties	(2,000)	-	-	-	-	(2,000)
Depreciation of property, plant and equipm	(12)	-	(89)	(2,339)	-	(2,440)
Share of results of associated companies/joint venture companies	1,372	2,206	(54)	(196)	-	3,328
Segment profit/(loss) before tax	1,483	2,784	(1,642)	549	(136)	3,038
Assets:						
Investment in associated companies and joint venture companies	95,172	6,883	65	17,923	-	120,043
Additions to non-current assets	-	-	479	3,921	-	4,400
Segment assets	245,790	113,428	1,080,374	551,760	(1,002,716)	988,636
Segment liabilities	171,723	27,347	1,041,407	288,090	(967,336)	561,231

4. Segment and revenue information (cont'd)

(b) Disaggregation of revenue from contracts with customers

Segments	Hospitality		Corporate		Total Revenue	
	HY2023	HY2022	HY2023	HY2022	HY2023	HY2022
	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets						
Singapore	–	–	151	178	151	178
United Kingdom	24,335	22,685	176	167	24,511	22,852
	24,335	22,685	327	345	24,662	23,030
Major product or service line						
Hotel operation income	24,335	22,685	–	–	24,335	22,685
Management fee income	–	–	327	345	327	345
	24,335	22,685	327	345	24,662	23,030
Timing of transfer of goods or services						
At a point in time	24,335	22,685	327	345	24,662	23,030

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022.

	Group		Company	
	30/6/2023	**31/12/2022**	**30/6/2023**	**31/12/2022**
	$'000	$'000	$'000	$'000
Financial assets measured at amortised cost:				
Amounts due from associated companies and joint venture companies (non-trade)	72,930	105,139	1,191	2,186
Trade receivables	341	683	–	–
Other receivables	69,575	64,191	22,274	18,547
Amounts due from subsidiaries (non-trade)	–	–	281,021	313,237
Amounts due from related parties (trade)	33	45	–	–
Fixed deposits	45,352	20,160	45,178	19,852
Cash and bank balances	44,965	39,631	13,571	9,736
	233,196	229,849	363,235	363,558
Financial liabilities measured at amortised cost:				
Trade and other payables (current)				
Trade payables	3,307	2,744	1,608	1,452
Other payables and accruals[1]	18,484	14,001	560	636
	21,791	16,745	2,168	2,088
Other payables (non-current)				
Other payables and accruals	1,498	1,012	–	–
Total trade and other payables	23,289	17,757	2,168	2,088
Loans and borrowings (current)				
Amounts due to subsidiaries (non-trade)	–	–	181,869	181,178
Lease liabilities	303	297	–	–
Bonds	20,169	62,730	20,169	62,730
Bank term loans	124,621	21,334	1,176	1,176
	145,093	84,361	203,214	245,084
Loans and borrowings (non-current)				
Amounts due to associated companies and joint venture companies (non-trade)	47,514	47,243	39,882	39,610
Amounts due to non-controlling interests (non-trade)	67,230	61,127	–	–
Lease liabilities	4,743	4,640	–	–
Bonds	53,800	–	53,800	–
Bank term loans	230,308	314,687	1,399	2,019
Total loans and borrowings	548,688	512,058	298,295	286,713
Total finance liabilities measured at amortised cost	571,977	529,815	300,463	288,801

[1] *Excludes non-financial liabilities including advance rental received and provision for interest support.*

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

	Group		Company	
	30/6/2023	**31/12/2022**	**30/6/2023**	**31/12/2022**
	$'000	$'000	$'000	$'000
Financial asset at fair value through profit or loss:				
Derivative financial instruments	294	331	294	331

6. (Loss)/Profit before tax

(a) Significant items

	Group	
	HY2023	**HY2022**
	$'000	$'000
Finance income	2,046	1,818
Finance expenses	(12,475)	(8,173)
Depreciation of property, plant and equipment	(2,386)	(2,440)
Fair value gains on derivative financial instruments	37	483

(b) Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

Sale and purchase of goods and services

The following significant transactions between the Group and Company and their related parties took place during the period at terms agreed between the parties:

	Group		Company	
	HY2023	**HY2022**	**HY2023**	**HY2022**
	$'000	$'000	$'000	$'000
Income				
Interest income				
- subsidiaries	–	–	5,563	6,513
- associated companies	263	345	–	–
- joint venture companies	380	315	–	–
Management fee income				
- subsidiaries	–	–	168	180
- associated companies	108	108	60	60
- joint venture companies	1,040	1,100	1,000	1,000
- related party	30	30	–	–
Expenses				
Management fee paid to a subsidiary	–	–	576	528
Interest expenses				
- subsidiaries	–	–	4,688	4,809
- joint venture companies	272	272	272	272
Rental paid to a subsidiary	–	–	142	142
Rental paid to a related party	–	29	–	–

7. Income tax expense

The Group calculates 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 statement of profit or loss are:

	Group	
	HY2023	**HY2022**
	$'000	$'000
Income tax expense recognised in profit or loss	426	1,564

8. Derivative financial instruments

	Group and Company			
	30/6/2023		31/12/2022	
	Outstanding notional amounts	**Assets/ (Liabilities)**	**Outstanding notional amounts**	**Assets/ (Liabilities)**
	$'000	$'000	$'000	$'000
Non-current:				
Interest rate swaps	85,440	294	80,925	331

The Group and the Company entered into interest rate swaps in Pound Sterling and Singapore Dollars to manage its exposure to interest rate fluctuation on its floating rate loans and borrowings. The interest rate swaps will mature between July 2024 and January 2025.

The Group and the Company has not applied hedge accounting. Fair value gains and losses on interest rate swaps are recognised in profit or loss. The fair values of interest rate swaps shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

9. Property, plant and equipment

As at 30 June 2023, the carrying value of property, plant and equipment (collectively, “properties”) mainly relating to the Group’s portfolio of hotel properties amounted to $405,568,000 and accounted for 41% of the Group’s total assets. These properties are carried at cost less accumulated depreciation and impairment losses and are subject to an impairment assessment to assess if there are any indicators of impairment at each reporting date.

10. Investment properties

The Group's investment properties are held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

The Group's investment properties as at 30 June 2023 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Tampines Mart (Block 5, 7, 9, 11 Tampines Street 32)	Shops	Leasehold	69 years
62 Sembawang Road	Transport facility	Freehold	Estate in perpetuity
Adam House (7-10 Adam Street, London, United Kingdom)	Serviced office	Freehold	Freehold

	Group	
	30/6/2023	**31/12/2022**
	$'000	$'000
Cost		
Balance at beginning of period/year	217,324	223,809
Exchange differences	1,580	(3,638)
Gain/(loss) from fair value adjustments recognised in profit or loss during the period/year ended	2,000	(2,847)
Balance at end of period/year	220,904	217,324

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

10. Investment properties (cont'd)

Valuation of investment properties

For interim financial reporting purposes, the directors review the carrying values of its investment properties carried at fair value and perform an internal valuation, where no independent valuer is involved. In assessing whether the fair values remained appropriate, the directors consider whether any movement in market data such as discount rate, capitalisation rates, changes in underlying cash flows or sales comparable would result in a material impact to the fair values of the investment properties since the end of the previous financial year. The Group will engage external independent qualified valuer whenever the carrying amounts of the investment properties are likely to differ materially from the fair values recognised at the end of the previous financial year.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the income capitalisation approach where the net rental income after property tax is capitalised at a rate which reflects the present and potential income growth over the unexpired lease term. The most significant input into the income capitalisation valuation approach is the capitalisation rate of 4.70% to 5.00% (31 December 2022: 4.65% to 5.00%) per annum.

An increase in capitalisation rate will result in a decrease to the fair value of the investment property.

11. Bank term loans

The following sets out the aggregate amount of the Group's borrowings as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	$'000	$'000	$'000	$'000
Unsecured	2,575	3,195	2,575	3,195
Secured	352,354	332,826	–	–
	354,929	336,021	2,575	3,195
Repayable:				
- not later than 1 year	124,621	21,334	1,176	1,176
- 1 year through 5 years	230,308	314,687	1,399	2,019
	354,929	336,021	2,575	3,195

12. Bonds

The Group has bond issue outstanding as at 30 June 2023 of $73.97 million. $20.17 million are unsecured and bears interest at a fixed rate of 6.8% per annum that are due November 2023. The balance of $53.80 million are unsecured and bears interest at a fixed rate of 7.0% per annum that are due November 2026.

13. Share capital

	Group and Company			
	Number of ordinary shares issued			
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
			$'000	$'000
At 1 January	487,734,735	487,734,735	86,624	86,624
Shares buyback[1]	(250,000)	–	-	–
At end of period/year	487,484,735	487,734,735	86,624	86,624

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

[1] The share buyback was by way of market acquisition during the period with a total of 250,000 shares held as treasury shares.

14. Treasury shares

	Group and Company			
	Number of treasury shares			
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
			$'000	$'000
At 1 January	-	-	-	-
Shares buyback[1]	(250,000)	-	(63)	-
At end of period/year	(250,000)	-	(63)	-

As at 30 June 2023, the Company held 250,000 treasury shares which represents 0.05% of the total number of issued shares (excluding treasury shares).

Treasury shares relate to ordinary shares of the Company that are held by the Company.

15. Subsequent events

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

Other information Required by Listing Rule Appendix 7.2

1. **Share capital**
   - i) **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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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.**

     There is no change in the Company's share capital for the period from 1 January 2023 to 30 June 2023. There are no outstanding convertible securities as at 30 June 2023 and 31 December 2022.

   - ii) **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 immediate preceding year.**

     Refer to note 13 on page 17 – Share capital for more details.

   - iii) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

     Refer to note 14 on page 17 – Treasury shares for more details.

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

   The figures have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2022 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised SFRS(I) (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2023. The adoption of these revised SFRS(I) and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

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, and the effect of, the change**

   Not applicable.

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

	Group		
	HY2023	**HY2022**	**Increase/ (decrease)**
	Cents	Cents	%
(Losses)/Earnings per ordinary share from continuing operations attributable to equity holders of the Company for the period			
(a) On a basic basis	(0.90)	0.14	n.m.
(b) On a fully diluted basis	(0.90)	0.14	n.m.

The above are calculated by dividing the net profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the current period of 487,721,074 ordinary shares (31 December 2022: 487,734,735 ordinary shares).

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 period reported on; and
b) Immediately preceding financial year.

	Group		Company	
	30/6/2023	**31/12/2022**	**30/6/2023**	**31/12/2022**
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	87.55	87.41	22.38	21.23

The above have been computed based on 487,484,735 and 487,734,735 ordinary shares in issue as at 30 June 2023 and 31 December 2022 respectively.

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

Commentary on the Consolidated Income Statements

Turnover comprises rental income from investment properties, hotel operation income and management fee.

The Group's turnover for the six months ended 30 June 2023 ("HY2023") increased by 7.8% to $30.70 million compared to $28.48 million for the previous corresponding period ended 30 June 2022 ("HY2022"). The increase is mainly attributed to increase in hotel operation income due to higher occupancies of the Group’s hotels in the United Kingdom.

Personnel expenses increased by $1.40 million to $10.38 million in HY2023 mainly due to higher manpower costs mainly as a result of inflation.

Other operating expenses increased to $14.02 million in HY2023 from $11.44 million in HY2022 mainly due to higher operating expenses as a result of inflation.

Finance expenses comprised mainly interest on the bond and bank loans. It increased by $4.30 million to $12.48 million mainly due to higher interest rate on bank borrowings.

Share of results from associated companies/joint venture companies was a loss of $1.02 million in HY2023 compared to $3.33 million in HY2022. This was mainly due to lower profit recognised for a development project after obtaining TOP and increase in finance expenses.

The Group recorded a net gain from fair value adjustment of investment properties of $2.0 million in HY2023 mainly from Tampines Mart offset by fair value loss from 62 Sembawang Road.

Income tax expense decreased by $1.14 million in HY2023 mainly due to lower profits for the period.

Taking into account all the above factors, the Group recorded a net loss after tax of $5.64 million for HY2023, compared to a net profit after tax of $1.47 million recorded in HY2022.

Commentary on the Consolidated Balance Sheets

Property, plant and equipment amounting to $405.57 million comprised mainly hotel properties. The increase of $32.59 million in HY2023 was mainly due to the acquisition of a hotel in Sapporo, Japan and the effect of the appreciation of Pound Sterling; offset by the depreciation charges recognised.

Investment properties increase from $217.32 million to $220.90 million mainly due to the net fair value gain of $2 million recognised and the effect of the appreciation of Pound Sterling.

Investment in associated and joint venture companies decreased to $113.45 million in HY2022 from $117.96 million mainly due to the share of the results of associated companies and joint venture companies during HY2023 and dividends received from associated companies and joint venture companies.

Amount due from associated and joint venture companies decreased from $105.14 million in FY2022 to $72.93 million in HY2023 mainly due to repayment of loans.

Included in other receivables are Senior and Promissory Notes receivables totalling $36 million and $11.48 million loan to an investment security.

Fixed deposits, cash and bank balances totalled $90.32 million in HY2022 compared to $59.79 million in FY2022. The increase is mainly due to proceeds from repayment of loans from associated and joint venture companies.

The Group has bond issue outstanding as at 30 June 2023 of $73.97 million. $20.17 million are unsecured and bears interest at a fixed rate of 6.8% per annum that are due November 2023. The balance of $53.80 million are unsecured and bears interest at a fixed rate of 7.0% per annum that are due November 2026.

The increase in amounts due to non-controlling interests of $6.10 million to $67.23 million in HY2023 is mainly attributable to borrowings from non-controlling interests for the acquisition of property, plant and equipment and the strengthening of Pound Sterling.

Total bank term loans and short-term bank loans increased from $336.02 million in FY2022 to $354.93 million in HY2023 mainly as a result of new term loan secured from banks.

The Group recorded a significant foreign currency translation gain of $6.72 million mainly from its United Kingdom-based investments as a result of the appreciation of the Pound Sterling during the period.

Commentary on the Cashflow Statement

The increase in cash and cash equivalents of $29.43 million in HY2023 can be attributed to the following major cash inflows and outflows:

Cash inflows:
- net repayment of loans from associated and joint venture companies of $34.56 million;
- net proceed from bank loans of $10.39 million;
- net proceed from bond issuance of $11.24 million; and
- net proceed from in loans from non-controlling interest of $2.97 million.

Cash outflows:
- net cash outflows from operating activities of $8.13 million
- additions to property, plant and equipment of 19.69 million; and
- payment of dividend of $1.83 million in May 2023.

Taking into account the cash resources available to the Group and the net cash used in operating activities for the Group, as well as the assessment of the Group's going concern assumptions set out in note 2 in the condensed interim financial statements, the Board is of the view that the Group is able to continue operating as a going concern and the working capital available to the Group is sufficient to meet its present requirements and for the next 12 months.

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

The actual results for the six months ended 30 June 2023 of the Group are in line with the statement made in paragraph 10 of the results announcement for the year ended 31 December 2022.

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 –

According to the IMF World Economic Outlook Report of July 2023, global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. High interest rates as a means of controlling inflation continues to weigh on economic activity; while multiple sources predict a return to pre-Covid stability in 2024, an intensification of the Russia-Ukraine conflict, financial turbulence arising from tightening of central banks' fiscal policies and sovereign debt distress could exacerbate current conditions and delay global recovery.

With continuing challenges to global growth momentum, the economic outlook for Singapore for 2023 remains flat, with Singapore's Ministry of Trade and Industry forecasting GDP growth at between 0.5% to 2.5% for the year. Taking into account the 1% increase in GST from 1st January 2023, headline inflation figures are projected at above 6%. However, the MAS has indicated expectations that Inflation numbers will moderate towards the end of 2023 as tightness in the domestic labour market and global economic pressures ease.

In Singapore, Heeton's two retail malls continue to provide a steady and reliable income stream. Opportunities for new developments are pursued strategically; with the newly imposed additional buyers' stamp duty for foreigners now at prohibitive levels, the company is focusing on development projects aimed at the domestic market as part of a consortium that has been tendering for government housing schemes.

Heeton's hospitality division continues to face myriad challenges, with international travel and tourism figures still below pre-pandemic levels and high operating expenses and interest rates driven by spiralling inflation. The global economic downturn however has delivered opportunities, and Heeton's portfolio was augmented in April 2023 by the acquisition of its 14th hotel, located in Sapporo, the Group's third hotel in Japan. In Thailand, Heeton's two hotels will be relaunched in Q3 under new management, with the former Mercure Hotel Pattaya re-branding as the first Heeton Concept Hotel in South-east Asia.

Against this backdrop of economic uncertainty, Heeton continues to maintain a business approach founded on cautious optimism, carefully selecting its development and investment projects while streamlining and reconsolidating its existing assets both in Singapore and overseas.

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?

Yes.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reasons for the decision.

No dividend has been declared by the Board of the Company in respect of HY2023 (HY2022 - Nil). It is not the Company's practise to pay dividend in the first half of the financial year.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii)

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

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

Not applicable. Please refer to paragraph 8 above.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has obtained undertakings from all its directors and executive officers.

16. Confirmation pursuant to Rule 705(5)

We, Toh Giap Eng and Hoh Chin Yiep, being two of the Directors of Heeton Holdings Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the six months ended 30 June 2023 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Toh Giap Eng
Executive Chairman
7 August 2023

Hoh Chin Yiep
Executive Director and CEO